Share prices rise on new **Gulf optimism**

Global equity prices rose on new hopes of a negotiated peace in the Gulf and Sunday's tentative US budget agree-ment. Crude oil and gold prices

However, the lack of strong follow-through in London and our Wall Street to a record 18.24 per cent jump in the Tokyo stock market's Nikkei average yesterday and Monday's sharp rise in US stocks showed that many investors are still taking a cautious view of current developments. Page 16; World stock markets, Page 40

JOHN FAIRFAX, privately held group which owns three of Australia's four leading newspapers, warned that deter-ionating trading conditions could push it into a breach of borrowing agreements within two months. Page 20

ALCOTRALLA MENTE DE LA COMPANIA DEL COMPANIA DE LA COMPANIA DE LA COMPANIA DEL COMPANIA DE LA COMPANIA DEL COMPANIA DE LA COMPANIA DE LA COMPANIA DEL COMPANIA DE LA COMPANIA DEL COMPANIA DEL COMPANIA DE LA COMPANIA DE LA COMPANIA DEL COMPANIA DEL

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MESSAN plans to export about. RESSAN plans to export about 20,000 cars a year from its UK assembly plant to Japan and Taiwan, the first move by a Japanese vehicle maker to ship cars from Europe to Asia. Page 16; Psugeot's chief attacks Britain on Japan plants, Page 5; Lower tax pushes Pengeot to FFr4.95bn, Page 18

SEARS, UK clothing and footwear group, said taxable prof-its in the six months to July 31 fell 32 per cent to £82.4m on sales 5 per cent ahead at £1.03bn (£981m). Page 17

SOCIETE Générale de Belgique, Belgium's largest com-pany, announced a steep fall in profits for the first half of

NEXT, UK high street fushion. and Grattan mail order retailer, said it was not issuing fell more than a fifth, closing down 6½p at 22p, valuing the group at 280 Sm. Page 28; Lon-don Stock Exchange, Page 28.

World News

Hijack crash in China kills 120 people

A hijacked Chinese Boeing 787 crashed and exploded kill ing 120 people after it hit two parked sircraft at Canton air-port. Officials said there was a bomb on board. Page 6

French Quif shots A French frigate patrolling the Gulf fired warning shots across the bow of a North Kor-ean ship which refused to stop when ordered. Page 4

Cabinet reshuffle President François Mittersend reshuffled the French cabinet, dropping Editis Cresson as minister for European affairs and replacing the Minister of Agriculture. Page 3

Zulus refuse talks South African Zulu leader Chief Mangosuthu Buthelezi refused to meet the African National Congress for talks lence. Page 6 -

Papandrsou III Former Greek prime minister Andreas Papandreou, 71, who had a heart operation two years ago, was rushed to hospital from parliament. Page 3

Nigeria debt hope An early resolution of the five-month deadlock over resched-uling terms for Nigaria's \$5.5bn commercial bank debt appeared likely yesterday after a meeting between senior Nigerian officials and credifor

banks, Page 6 ... Rebels attacked The West African peacekeeping force in Liberia attacked main rebel leader Charles Tay-lor with heavy artillery.

Polish poli date set Poland set November 25 as the date for presidential elections.



Mr Jacques Calvert, the chairman of Peugeot, France's top car manufacturer, yesterday attacked the UK Government for allowing more Japanese assembly plants to be set up in Britain

Mr Nadir met Mr Ozal, Mr

\$393.9 (391.6) \$388.75 (396.5) Brent 15-day Nov \$35.2 (37.125) Chief price changes

MARKETS

New York close \$1.883 (1.883)

\$1.8885 (1.8895) DM2.9375 (2.9325)

£ index 93.5 (93.5)

FFr9.84 (9.825) SFr2.44 (2.435)

Y258.5 (258.75

New York close DM1.54965 (1.5585) FFr5.192 (5.2215) SFr1.28 (1.2965 Y136.73 (136.7) DM1.555 (1.5515) FFr6.21 (6.20) SFr1.292 (1.289) Y136.9 (136.9)

S&P Comp 3-mo Tressury Bills yield: 7.39% (7.34) Long Bond: 99 2 (98%)

2,505.2 (-10.64) 815.21 (+0.37) · 22,898,41 (+2,676.55) LONDON MONEY 142-142% (142) Lille long gilt tuture:

STOCK INDICES

FT-8E 100:

2,058.5 (+27.7)

FT Ordinary: 1,594.7 (+21.7)

FT-A All-Shares

991.56 (+1.3%)

New York close

DJ Ind. Av.

Vast crowds at festivities in Berlin ● French, US and British flags lowered ● Volkskammer dissolves itself Germans celebrate end of partition

By David March and Lealie Collt in Berlin

GERMANY was reborn as a united country last night in a celebration which finally swept liberal democracy 200 miles eastwards across cantral Europe and ended the most enduring legacy of the Second World War.

In an evening of pomp and highly charged emotion in the old Prussian capital, vast

crowds gathered at the rebuilt Reichstag in the centre of Ber-lin to watch a midnight hoist-ing of the black, red and gold German flag, bringing down the curtain on 41 years of German partition.

man partition.

As dusk fell, an expectant throng pressed around the floodlit Brandenburg Gate—for so long the symbol of the divided city—to watch a giant hot air halloon shimmering in the light of a full moon.

Berliners swung sausage stands into place to feed the expected masses in advance of the night's festivities. Chancellor Helmut Kohl and Chancefor Helmut Kohl and the cream of the German politi-cal and social establishment were gathering at the Schaus-pielhaus (theatre) in East Ber-lin for a rendering of Bee-thoven's 9th symphony — reaching a climax with the "Ode to Joy" — under the Leip-sig conductor Kurt Masur. Thousands of Berliners and Thousands of Berliners and guests in holiday mood arrived early in the evening for festivities on Unter den Linden boulevard and Alexanderplatz in East Berlin.

There the entertainment included the massed bands of the three Allied armies in West Berlin and the Soviet Army in Bast Germany under the baton of the conductor of the East Berlin symphony orchestra. The commanders of the Allied forces which defended

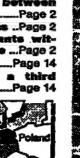


ON OTHER PAGES es in West......Page 2

stark contrast between



remited city in a symbolic cer-emony. Soldiers lowered the French, US and British flags outside the Allied headquar-ters in the West Berlin suburb of Dahlem to the sound of bredes as sensels of the three





Bergmann-Pohl, Speaker of the house, one of 144 deputies due to join the all-German parlia-ment along with members of Bonn's Bundestag, thanked the legislators for their work since the country's first democratic elections last March

Tomorrow we will be able to say we have completed our mission to achieve German unity in free self-determina-tion," she told the members of

quarters of the 400-member Volkskammer (People's Cham-ber) was closed last month after dangerously high levels of asbestos were found there. Several speakers called for understanding of the problems East Germans had during the

parliament assembled in the State Council building in East Berlin.

The marble-and-glass head-quarters of the 400-member Volkskammer (People's Chamber) and Cologne in what was the Soviet occupation zone.

Gregor Gysl, head of the reformed communists, also urged rich westerners not to be self-righteous towards their was tempered by fears of grow-new colleagues in the allnew colleagues in the all-German parliament.

In a demonstration of renewed rights, Lufthansa, the national airline, flew two airliners full of deputies to Berlin's Tegel airport yesterday

lin's Tegel airport yesterday

awaii wali walism.

Recin's police force, united since Monday and supported by nearly 600 border policemen from West Germany, was

 the first Lufthansa flights to West Berlin since 1945. ness to join in the festivities was tempered by fears of grow-ing unemployment in East Ger-

many, as well as worries about

demonstrators who had threst-ened to disrupt the unity care-

The Democratic Socialist Party, successor to the former Communist Party, cancelled its planned rally in East Berlin to mark the end of East Germany. The police and Interior Minis-try had warned that the safety of participants could not be

Kohl stresses need for solidarity to overcome economic challenge

MR Helmut Kebl, who last night in the foreseeable future, he hecame the first chancellar of a warned: "Everyone knows that a distillerantic, unfilled Germany since ficult path lies ahead of us."

Hiller's takeover in 1933, said in a He added that the economic buoy-

"After more than 46 bitter years of division, Germany, our Father-land, is being united again," he said. This is one of the happlest moments of my life."

Mr Kohl underlined the need for "solidarity" to overcome the eco-nomic challenge of unity. Although

ancy of West Germany meant that "there could not be a better moment muifications but acknowledge

that this could not be done over-

night. Mr Kohl said: "We thank our partners, we thank our friends. We thank in particular the United States of America, above all President George Bush." He also rights".
extended thanks to France and Britzin for "always supporting us in history. We are a peace-loving, free-

difficult times" and added his grati-tude to the reform movements which swept away communism in a number of countries in eastern

Europe, Today's Unity Day would not have been possible without President Mikhail Gorbachev, he added. He also mentioned Hungary, for allowtria, and the reform movements in Poland and Czechoslovakia "which gave the people of East Germany the courage to stand up for their

dom-loving people," he said. In an article published yesterday in the Frankfurter Aligemeine Zeitung, Mr

"Everyone should know: Germany will not go it alone, there will be no unilateral nationalism and no 'res-

Mr Lothar de Matzière, the outgoing East German prime minister who becomes deputy to Mr Kohl in the run-up to elections in December. stressed that the act of union did not conclude the unification pro-cess. This remained a social task of

"Unity should not merely be paid

Mr Lothar de Maizière, whose East German wing of the ruling Christian Democrats, is expected to push the party somewhat leftwards, said in East Berlin that the end of an ideology that has been a bitter disappointment for many people should not lead "to the destruction of belief in all ideals".

East Germany's past would leave their mark for years to come. "We want to honestly and compre-

hensively work out this chapter in our history," Mr de Maizière said, adding that the past should not be d to create the future.
In spite of the worries of many

citizens, the end of the Kast German state was at the same time a great change for the better which history only seldom offered. "We really all have cause for joy and thankfuln

Ozal intervenes in Polly Peck affair

By Alan Friedman in New York and Our Financial Staff in London

PRESIDENT Turgut Ozal of Turkey complained about the treatment of Polly Peck Inter-national, the UK-besed fruit trading and consumer electronics company, in a private meeting at the weekend with Mrs Margaret Thatcher, the British

prime minister. An aide to Mr Ozal said the president demanded that Mrs Thatcher explain whether or not there were proven allega-tions of wrongdoing by the company or by Mr Asil Nadir, its chairman, who is his friend and close political ally. Mrs Thatcher is understood to have told him that the affair was not a matter for the British govern-ment, but rather for the Seri-ous Fraud Office.

ous Fraud Office.

This emerged yestenday after Polly Peck had broken its silence late on Monday night to admit that it had "liquidity problems" which would be disproblems" which would be dis-cussed on Friday by a meeting of its hanks and other lenders.

Mr Nadir disclosed personal "problems of liquidity" which directly contributed to the price collapse and suspension of trading in Polly Peck shares on Sentember 20. The shares on September 20. The shares remain suspended.

Mr Nadir said that 10m

shares in which he had an interest were sold during the chaotic pre-suspension trading on September 20 during which the price more than halved. The shares were sold by banks which had been holding them

as collateral on loans. According to a senior Turkish side, Polly Peck is seeking the help of Kidder Peabody, the Wall Street investment bank, in negotiations with Standard Chartered and other bank creditors that are set to take place between today and Friday. The talks concern more than £100m (\$188m) of Polly Peck's

short-term bank borrowings to be rolled over. be rolled over.

In New York, Kidder Peabody declined to comment on Polly Peck, saying the company did not discuss its clients. But the Turkish official said Kidder Peabody executives were travelling to London to join the Polly Peck bank talks.

The official said Polly Peck's talks with Standard Chartered and other UK banks were and other UK banks were being handled separately from a possible Turkish bank package that could provide the company with bridging funds to stave off a liquidity crisis.

Gunes Taner, minister for eco-nomic affairs, and several Turkish bankers in New York at the weekend to discuss prospects for a Turkish rescue

The Turkish officials gave their implicit support for the package, but action on the rescue has been delayed so as to allow the London bank talks to go forward first. Among the possible options being considered is financial support from either Turkish state or private

One leading Turkish banker said last night that Turkish banks were not geared up to provide a £100m guarantee. Why should Turkish banks give a guarantee to UK banks?" he asked.

Polly Peck, in its longawaited statement late on Mon-day night, gave little extent of possible support from Turkey. It said only that it "draws considerable encouragement from the degree of interest shown by that [the Turkish] govern-

Mr Nadir, in a personal statement, added only that his talks had been held "with a view to arrangements being made, in the near future, that will restore confidence in Polly Peck and financial stability to the market in its shares." Mr Nadir said he was plan-ping to visit Ankara later this

Senior officials in both the Turkish and UK governments confirmed that the Polly Peck issue was raised by Mr Ozal, who is said by aides to be upset by the swirl of rumours concerning both the company

The Turkish president is also said to have warned that bilateral relations between Ankara and London could be affected over the Polly Peck affair and to have also raised the issue of

Cyprus.
A UK official confirmed that the Cyprus issue was discussed by Mr Ozel and Mrs Thatcher, but maintained that the sub-ject was not broached in the context of Mr Nadir or Polly

The credit ratings of Polly Peck International Finance, a wholly owned subsidiary of yesterday by Moody's, affecting over \$500m of debt. Lex, Page 16; The Polly Peck affair, Page 23



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8-10 Financial Futures _____ 35

GOLD . New York Comex Dec M SEA Off. (Argus)

\$ index 62.5 (62.4) Tokyo close: Y136.73 US closing rates Fed Funds 814 % (8)

yield: 8.82% (8.85)

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GERMANY UNITES



Soviet Jew immigrants testify to new attitude

A LONG queue of Soviet Jews outside an advisory office in East Berlin's Mauerstrasse yes terday testified to a remarkable change in the attitude towards Germany of many of

Like their fellow Jews, Josef and Ida Weizman from the Ukraine had come to seek a new life, free of persecution, in

new life, free of persecution, in a united Germany.

"Why have I come to Ger-many?" Mrs Weizman said, shrugging her shoulders. "Ger-many is a civilised country and feels a sense of guilt for what it did," she explained softly.

Taking the road to Germany

was not, however, easy. Mrs Weizman was rescued from the Jewish Ghetto in Vinkovtsi by a Ukrainian peasant woman in 1941 when she was only 12 and the Soviet Army returned in 1944. Her father and brother were among the 6,000 Jews killed by the Nazis in the

ghetto.

Her husband said: "It's strange but I feel less fear here than in the Ukraine." He lost his parents in the same ghetto

and fought against the Nazis in the Soviet Army.

Like other Soviet Jews they were afraid that a resurgence of Russian and Ukrainian nationalism would end in pogroms. They left behind two grown sons, fearful that they would not be allowed out because of "security reasons", said Mr Weizman said, fighting

back the tears. Another Jewish couple from Another Jewish was the Ukraine, Natalia Goucharova and her husband Oleg both in their mid-thirties, said they emigrated because of fear of Ukrainian nationalism. Like the others they said they did not want to go to Israel because of the danger of war in

Holocaust terday expressed its terusy expressed its "deep anxiety" over German unification, writes Hugh Carnegy in Jerusalem. The organia tion made a last-minute appeal to German leaders to include acceptance and re-ognition of Germany's "his-torical responsibility for the Holocaust" in all unification

Yad Vashem, who effectively speak for the nation on the subject, said in a declaration sent to President Richard von Weizsäcker that they accepted unification as ineviaccepted unification as inevitable. But they noted that "it was a united Germany, under Nazi rule, which brought upon the Jewish people the most herrendous tragedy of this generation — the death of six million Jews, the destruction of thousands of communities and the monoting of a rich and the uprooting of a rich and age-old culture."

many Jews - and non-Jews -in the Soviet Union continued to admire German culture and technical prowess. Soviet Jews were prominent among Russians who sought contacts with East Germany after 1945. But the decision to move to Germany was only taken after the new East German govern-ment offered earlier this year to provide a home to Soviet

Mr Heinz Galinski, head of the Central Council of Jews in Germany, said that nearly 2,000 Soviet Jews had emi-grated to East Germany since last year and that the number of arrivals was growing. The influx represented more than a

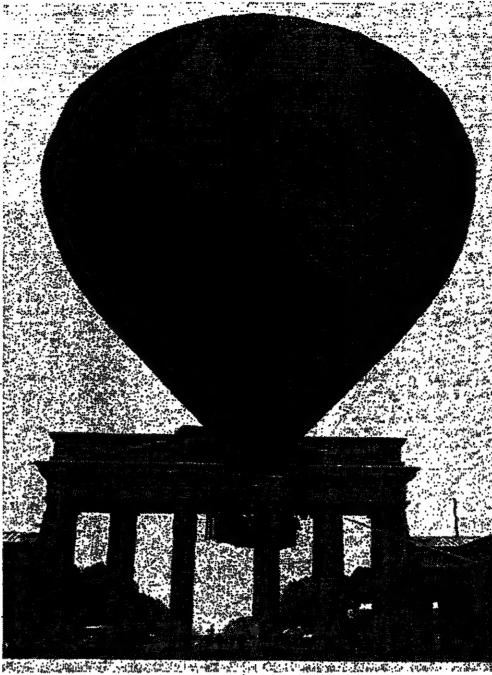
many. He said he favoured East Germany and would speak about this to Mr Wolf-gang Schäuble, the West Gernan interior minister. Mr Galinski said he felt nei

ther eurohoria nor hysteria about German unity, but instead realism. For him it was a day to reflect. "I only hope there will be no anti-semitism, neo-Nazism or resentment against foreigners although we do observe unpleasant phe-nomena in the GDR and East

Berlin," he said. It is the 130,000 Turks in It is the 180,000 Turks in West Berlin who are likely to bear the brunt of any surge in resentment against foreigners. Many are worried about losing their jobs to the high number of unemployed East Berlinses. Ms Selver Mengüsoglu, a Turkish adviser to the West Berlin Commissioner for Foreigners said many Turks in eigners, said many Turks in Berlin were pleased about Ger-man unity but had not wanted to take part in the unification process because they came from rural areas and found it

from rural areas and found it difficult to express themselves. But she said some Turks also feared East Germans, who were not used to living with foreigners. Foreigners in East Germany made up 1.2 per cent of the population compared with 8 per cent in West Ger-"East Germans believe that if they can get rid of the for-eigness here then their employ-ment problems will vanish," Ma Mengusogiu said. Unfortu-nately, German politicians, in their enthusiasm over unifica-tion, had failed to explain that

the structural problems East Germans faced had nothing to



Leslie Colitt The peace balloon draped with flags of several countries stops yesterday at the Brandsnburg Gate

THE Soviet Foreign Ministry yesterday welcomed German unifi-cation as part of the reshaping of eastern Europe set in motion by the Kremin's policy of perestroika, Reuter reports from Moscow.

"German unification takes place as a result of the deep political reshaping of eastern Europe, initiated by the meaningful social and political perestroika [restructuring] of the Soviet Union, "said, Mr Yuri Gremitskikh, the ministry spokesman. "It represents an historic event, not only in the lives of the German people but in the lives of the people of Europe and of the whole world.

"The Soviet Union and a united Germany enter a new stage of co-operation, which must bring a durable peace, stability and enlightenment."

eningnenment.—
In West Germany, government officials said President Mikhafi
Gorbachev might visit Germany in November to sign a treaty on
relations with the new state. Foreign ministers Hans-Districh
Genscher and Eduard Shevardnadze last month initialled the

A UNIFIED Germany will have a "profoundly important" role in Europe, Mrs Margaret Thatcher, the British prime minister, says in a statement to be delivered to Chancellor Helmut Kohl today, writes Ralph Atkins. The prime minister offers her warm congratulations to Germany "on this special day".

Her comments contrast with remarks earlier this week in New

York when she appeared inkewarm about the prospect of a stronger Germany in Europe and admitted she had favoured a much slower pace towards unification.

Mrs Thatcher says in her statement: "Unification of Germany

represents an important step in overcoming the division of our continent. "Together with our allies, we withstood the difficult period of the Cold War. Now that Germany is to be united in peace and freedom, a united Germany will have a profoundly important role in Europe."

MOZAMBIQUE government statistics show that 5,000 nationals

MUZAMBIQUE government statistics show that 5,000 nationals working in East Germany have been sent home since political change began late last year, Reuter reports from Maputo.

At the time, 18,000 Mozambicans were working in factories and mines. They were employed under a 1979 labour agreement which suited both governments: East Germany had a manpower shortage and Mozambique was unable to provide enough jobs for its school leavers.

A trather 5 500 Mozambiana and a manpower shortage and manpower shortage and severs.

A further 5,500 Mozambicans are expected to arrive home before the end of the year and, as the labour agreement is not being renewed, the rest will not be far behind.

Growth forecasts show stark contrast between Germanys

EAST German industrial production will fall by 10 to 15 production will fall by 10 to 10 per cent next year after an even steeper fall this year, the Bonn finance ministry said yesterday, highlighting the stark contrast with West German growth.

West German industrial production rose 5.3 per cent in

duction rose 5.3 per cent in July and August over the same period last year, the economics ministry announced Output by the food industry leapt 17 per cent, benefiting most clearly from the opening up of

The extra growth in West Germany will help to cover some of the costs of restructur-ing in East Germany — and of ing in East Germany — and or cushloning it from collapses. For the next two years, between one-third and one-half of East Germany's GNP — esti-mated at about DM280bn (£95bn) — will flow directly out of Econ's coffers.

of Bonn's coffers.

That will require all-German public sector deficits of at least DM100bn this year and DM150bn next year, unless the government does better than expected in making savings elsewhere. The medium-term outlook for borrowing depends on how quickly the economy in the east picks up.

Tax revenue from the former

Tax revenue from the former East German territory will initially be negligible, perhaps only DM7hn to DM8hn in the second half of this year, rising

year. Tax revenues in the east are, however, likely to remain are, however, anery to remain below the 22 per cent of GNP currently recorded in West Germany for some time especially if the idea of waiv-ing corporate tax in the sast atches on. The extra pressure on world

savings will be considerable given the "off-balance sheet" berrowing such as the DMS5bn being raised by the Bundes-post, or the DM100bn to cover a large hole in the former East German banking system. Some critics claim it is irre-sponsible to pay for unity largely through borrowing at a time when the demands of the US deficit and eastern Europe are so urgent. But German borrowing such as the Di

are so urgent. But German savings will more than cover the costs of unity even if some "repatriation" will be required. (although not from the US where the Germans have not been big investors).

Most economists agree that, unlike the US deficit, the costs

of unity are short term and should be regarded as a form of investment. Some of the money being paid out - such as the DM13bn to the Soviets for removing their troops — is flowing straight back to Gar-man industry, whose rude health provides a secure under-

Bundesbank denies picture is one of economic hopelessness

THE lack of a functioning East German administration is seri-ously hindering the integration of the two German economies, Mr Johann Gaddum, a director of the Bundsebank, said yester-

Mr Gaddum, who is in charge of the central bank's provisional regional headquar-ters in the former East Ger-many, was in Leipzig yesterday to deliver a resume of the East German economy in the three months since the introduction of the D-Mark,

The process of adjustment to a market economy is "in part very painful," he said. But he family rejected the "picture of hopelessness" that had been portrayed in some quarters. Mr Gaddum said companies

lay offs, but the state of their orderbooks was surprisingly bealthy. Some 60 per cent of those surveyed by the Bundes-bank reported a satisfactory position, he said.

"Profits are being turned — without these there would be no will to invest," he said. Within the next 10 to 12 within the next 10 to 11 months, investment commitments would grow fast as people gained more information.

One serious obstacle was the widespread uncertainty created by the lack of a proper administrative infrastructure, he explained. The central planting average had collegeed ning system had collapsed

leaving a black hole.

But he said previous reservations about the speed of German moneizry union had been
dispelled. "I don't think a longer adjustment period would,
have helped," he said.

At the said.

At the said would have to
be kept in check — the quicker
the attainment of the western
level, the graver would be the
other adjustment problems.

Addressing the "unsatisfactory" mechanism for payments
within East Germany, where

within East Germany, where the old system is operating alongside the West German model, Mr Gaddum said diffi-culties would remain until East German institutions came closer to western standards.
Delays are so bad some cusentry system and physically transferring rolls of notes between banks.

Leipzig was the chosen venue for yesterday's press conference following the intro-duction of the first two denorsinations of a new series of banknotes in Germany on Monday. The new DM100 note Monday. The new DM100 note carries a picture of Clara Schumann, the pianist born in Leipzig. As the design process for the notes began five years ago, the timing of the introduction shortly before German unification is incidental.

Katharine Campbell

Poles rush to West Berlin on final shopping spree

THOUSANDS of Poles took the last opportunity to go shopping in West Berlin yesterday before a united Germany imposes stiff visa controls on them, Reuter reports.

Pushing trollers and struggling with bags laden with television sets, video recorders and radios, they clogged paths in the city centre.

the city centre.
Under the laws of the western allies which have ruled West Berlin since 1945, Poles were allowed in visa-free for a month. But this right disap-pears with unification when German rules will require

visas for all Polish visitors. German unity will also deliver a powerful shock to Poland's economy by depriving Warsaw of traditional export markets in East Germany, the German newspaper Handels-blatt reported yesterday. Polish finance minister Leszek Balcerowicz told the newspaper that unification would force Poland's economy

East German demand has switched sharply to western goods, leading to a big fall in imports from Poland.

to make unforeseen adjust

Pioneer 'Wessies' find life rewarding

MR Horst Ahrens, 48, is a West German banking pioneer. Last February he was sent to open Commerzbank's office in the East German town of Halle. He has been there ever since, separated from his family but living comfortably enough in the Stadt Halle botel.

Stadt Halle hotel.

He opened his first office in the hotel, in a dingy room without a window, offering financial advice to anyone who wanted it. Only after monetary union on July 1 were West German banks allowed to lend money but at the end of May. he had already moved into a purpose-built two-storey, 600 sq metre temporary office in the

By then he had 15 staff. Now he has 60, of whom 23 are East Germans. Last week several members of his young team were still happily working away at 7.30 pm, before returning to the local families with whom they lodge. "They're a dynamic team and ready to dynamic team and ready to make a lot of sacrifices," he says. He himself regularly works 14-hour days, and week-ends, and says that even if his wife and two daughters were with him they would not see much of him. They are in fact back at home in Güttesloh, where Mr Ahrens used to be



Banker Horst Ahrens

Tokyo and Hong Kong. The separation and the hard work have their rewards. All Commerzbank employees have volunteered to work in East Germany get a 20 per cent salary top-up, are doing their promotion prospects no harm and enjoy a sense of making history. A further compensa-tion is that Mr Ahrens finds the East Germans more open than his own compatriots

Commerzbank did not, unlike the larger Dresdner Bank and Deutsche Bank, buy itself into the existing East German banking system. That means it has not inherited the big corporate clients and is less involved in lending the liquidity credits guaranteed, indi-

rectly, by Bonn.
Mr Ahrens says the other
two banks suffer the disadvantage of having to take on exist-ing staff, who knew nothing by West German standards. "Most of their training was reading Marz," he says. Commerzbank has made

most headway in the private customer market. Mr Ahrens says all customers, or potential customers, get at least 45 min-utes' individual attention. accounts, about 80 per cent depositing and only 20 per cent borrowing. "Personal contact is even more important here than in West Germany," he says. "The East Germans are

very sensitive."
About 80 per cent of business lending has been state-backed liquidity credits, and 20 per cent at the bank's risk. "Until recently most compe-nies had no monthly reporting system, they still have no balsystem, they still have no bal-ance sheets, and we can't any-way just lend against assets," he says. His biggest unbacked corporate loan, which required special permission from head-quarters, was about DM15m.(25m) Risks are being taken with small businesses. "Some of

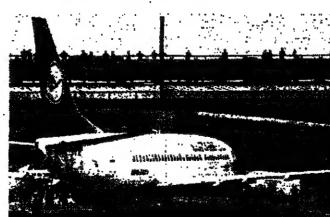
them are a hit naive but all very enthusiastic," he says, recalling the man who wented to invest in an automatic car-washer and based his profit valuations on the assumption that customers would be queu-ing up to wash 24 hours a day. Mr Ahrens says outsiders are

getting an excessively negative view of the feeling inside East Germany. "Even many of the new unemployed are quietly rather pleased. They are all getting 70 per cent of wages which have just been substantially raised so in real terms they are earning more than ever before and not having to work," he says. He adds that tensions between rich "Wes-sies" and poor "Ossies" are

merzbank is showing its taith in the future by spending DM40m on a large office building in Halle. The remaining obstacles are property ownership, infrastruc-

ture and human capital, says Mr Ahrens. "Of course East Germans are not more stupid than us but they suffer from an inferiority complex. It's not surprising. Just imagine if we had to suddenly learn how to live in a socialist state. It

David Goodhart



Lufthansa flies in WEST Germany's Lufthansa airline flew to West Berlin yesterday for the first time since 1945, ending four decades in which only sireraft from the Second World War allied powers were allowed to land in the city, Reuter reports from West

A special Lufthansa flight from Bonn — right — landed at Togel Airport. It was carrying members of parliament to last night's German unification calebrations The World War Two allies signed an agreement on Monday in New York formally suspending their rights and responsibilities for Germany and Berlin, including their control of the city's

Lufthanes is due to begin scheduled flights to the reunited city later this month, taking over routes previously flown by the US

THE European Commission said yesterday that German unifica-tion would speed political and monetary union in the European Community, Reuter reports from Brussels. The 17 commissioners said they shared the joy of the German people at becoming a united nation at midnight last night and welcomed the simultaneous entry of East German territory into the Community. "German unification gives a new Sian to a stronger and more united Community leading to economic and monetary union and political union," they said.

Walters: ambassador with foresight and a new mission

ANS and Hede Scherwinke, a couple in their 80s from the forested Erzgebirge region in southern East Germany, are likely to receive an unusual visitor sometime in the next few weeks. Mr Vernon Walters, 73, the much-

travelled US ambassador to Bonn -three-star general, adviser to five US presidents, and former deputy director of the Central Intelligence Agency will be dropping by to pay a call.

The East German couple sent Mr
Walters a traditional wooden Christmas pyramid at the end of last year to
thank him for his well-publicised support for German unification. Now that unity has been sealed, the ambassa-dor will be quickly extending his activities in a Germany which will be 40 per cent larger geographically— and carry more weight in the world. In an interview at the Rhineside

American embassy last week, Mr Walters said he observed "a greater degree of self-confidence" in Germany's security policies, but saw no let-up in ties between Bonn and Washington. "We are large powerful nations with vast economic interests. That will not drive us apart."

Now the jurisdiction of Bonn embassies extends to the whole of the country, Mr Walters believes Germany's allies have an important task in presenting western policies to East Germans adjusting to life after Communism.

East Germany faces, Mr Walters says, "the problem of deconditioning after 40 years of brainwashing...I will travel around there. They need to have our positions explained better. I'd like to have the opportunity to sit down and answer questions."

One special reason for visiting the Scherwinkes, apart from thanking them for the Christmas present, is, Mr Walters confides, because he is looking forward to meeting someone older than he is.

older than he is.

Mr Walters is a shambling, bespectacled ox of a man who disconcertingly mingles quick-fire analysis with obscure anecdotes of past encounters with elder statesmen. He arrived in Bonn in April 1989 with the reputation of a relic from the Cold War but has had a hand in shepherding it on to the pages of the history books. Whereas his predecessor, Mr Rich-

ard Burt, sometimes looked like a

young man in too much of a hurry, Mr Walters has grandfatherly gravi-tas. (Pointing out that he has never been married, Mr Walters much pre-fers the appellation "avmenlar"). He was in Germany as an army officer after the Second World War.

BY DAVID MARSH

At the beginning of his stint in Bonn, Mr Walters surprised some ministers and officials by predicting unification within the next few years. In an interview at the start of September 1989, which raised eyebrows in the State Department, Mr Walters was asked if he could imagine a united Germany in the near future. He answered simply "Yes".

Mr Walters said last week he saw the chances of German unification rising after the Soviet troop pullout from Afghanistan last year showed him the Brezhnev doctrine was dead. "What happened was inevitable. It was less surprising to me than to others." Why did the US government come to terms with the likelihood of Ger-

man unification more quickly than

France or Britain? Mr Walters con-cedes that, with greater geographical distance, "you take a more detached view." He adds breezily that Amer-ica's experience of not having been "overrun, occupied or bombed" by the Germans undoubtedly contributes to

the more relaxed stance.

He sees something of a conflict between Germany's need to play a stronger international role and the desire of many Germans not to awake memories of muscle-flexing. German diffidence about national symbols "is understandable in view of

the past. But after 50 years it can be a little excessive. I say there is nothing wrong with flags, as long as they do not lead to excessive nationalism." On German help for the US build-up in the Gulf, Mr Walters denies there was any "subterfuge" in Bonn's offer last month of DM3.3bn worth of sid. Bonn said last month DM740m worth of military equipment would come from East German army stocks, but Mr Walters says a sizeable East Ger-

man component was expected. On the sensitive question of deployment of German troops in the Gulf, Mr Walters says: "Everyone is well

aware Germans believe they are bound by some kind of constitutional restrictions. There is also the know-ledge that all the political parties are working to overcome this." Asked if he is happy with this state of affairs, he answers: "One is never completely

happy."
Mr Walters believes in the continu-ing need for stationing of US soldiers in Germany, even after the Soviet army pulls out in 1994. He stresses this depends on the German symmetry this depends on the German govern-ment, but says time will be needed to assess the future stability of what he calls the "Russian state beyond Poland, it is of interest to everyone in Europe to see what kind of neighbour the Soviet Union will be."

The only hint of differences with Bonn comes after a question about Mr Hans-Dietrich Genscher, the Foreign Minister, who said last month that he saw "East" and "West" no longer as political terms, but simply as expressions of geography. "I respect Mr Gen-scher's opinion, but I am not sure that I totally share it," he says, adding with soldierly caution that there are still some "profound differences" in the way that East and West are run.



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EUROPEAN NEWS

French reshuffle sees agriculture minister moved

PRESIDENT François
Mitterrand last night carried
out the first significant resunffie in the two-year-old government of Mr Michel Rocard, in
which the institut minister was which the justice minister was which the interest was sacked and the agriculture minister was moved sideways to take his place. At the same time, President Mitterrand dismissed Mrs Edith Cresson, the rancous and

Edith Cresson, the raucous and nationalist minister for Euro-pean affairs, and replaced her with the giamorous and whole-heartedly pro-European. Mrs-Elisabeth Guigon, hitherto spe-cial adviser on European ques-tions at the Elysée Palace. Justice and agriculture have been two of the most troubled portfolios in the Rocard gov-

Mr Pierre Arpaillange, the justice minister, came to office with an enviable reputation as a most admired senior magis-

errmeut, and both have been harassed by repeated conflicts with their respective constitu-

But he manifestly failed to mobilise the necessary political skills, and failed to avert (or perhaps provoked) repeated strikes by prison officers in 1988-89, as well as industrial action by members of his own profession, who have planned a national day of action later

Mr Henri Nallet, the agricul-ture minister, has throughout this summer faced repeated waves of turbulent demonstrations from farmers protesting at the problems caused by the third year of drought and, most acutely, by a sharp decline in the prices of beef and lamb. Barlier in the summer the farmers vented their anger on trucks carrying imports of Brit-ish lamb, and in one brutal incident a consignment was burned alive in a truck.

By John Lloyd in Prague

THE CZECHOSLOVAK

THE CZECHOSLOVAK government's first moves towards privatisation and restrictioning of the economy are meeting resistance from two key groups of workers, miners and shop managers.

A plan prepared by the Energy Ministry, but not yet published reveals that the

government intends closing some 10 mines in Ostrava (northern Moravia), Slovakia and northern Bohemia, by next year. Half of the closures

will be drawn from the

will be drawn from the Ostrava-Karvina complex, the country's largest employer with over 100,000 workers, and with ammal sales of filbn.

Tensions are now appearing between miness in the positionable and the unprofitable pits—some of which are already listed for closure—though in these early stages, they are making an effort at solidarity. Miners at the huge and profitable CSM mine near Ostrava have demanded instant privations on threat of strike, but with the condition that workers at the neighbouring Zarubek pit, listed for closure, are reemployed at CSM.

mr Viadimir Dlouhy, the industry minister, promised on Monday night to privates CSM.

by November 1, a precedent which workers in other profitable pits say they will seize on.

Prague privatisation

meets resistance



Naîlet: given second chance out the confrontation, and introduced a package of extra financial subsidies. This has not so far been enough to appease the farmers, however, who have continued to demonstrate.

strate.

Last week protesting farmers prevented President Mitterrand from inaugurating a new line of the TGV high-speed train, and forced him to travel hy aircraft and helicopter instead. In the face of the demonstrations, Mr Mitterrand maintained a façade of ironic good humour, but the incident may well have precipitated yesterday's reshuf-fie.

Mr Nallet's removal from the Agriculture Ministry, where he is replaced by Mr Louis Mermaz, leader of the Socialist group in the National Assem-bly, must in some sense be seen as a repudiation of his management of his ministry. But the fact that he has been kept in the government, and shifted to the equally difficult Ministry of Justice, implies that he still retains the respect of the President, or at the very At the end of last month the government partially reversed its initial policy of toughing can do.

Hurd warning on E Europe's future

By Robert Mauthner, Diplomatic Correspondent, in New York

MR DOUGLAS HURD, the British Foreign Secretary, which find their expression in warned yesterday that the permanence of democracy in the eastern European countries which had discarded communism could not be taken for

In a speech in New York at a meeting of foreign ministers of the 35-nation Conference on Security and Co-operation in Europe, Mr Hurd stressed that it was one of the main tasks of the proposed new European security structure to consoli-

date democracy in Europe.

The ministers are meeting to draw up a blueprint for such a structure in preparation for a summit meeting of the 35 in Paris next month. "As countries escape from the deep frost of communism they may discover that some of their problems, as well as all of their freedoms, have been put

THE Yuguslav government said yesterday that the situa-tion in the country was very grave after a flare-up of ethnic

violence, involving Serbs in Crostia, and appealed for calm to avert tragic consequences, Reuter reports from Belgrade. The government convened

an emergency session as the state presidency met to try to

tility to minorities," the foreign secretary said. Mr Hurd emphasised that

the new pan-European struc-ture could not become an organisation offering collective military guarantees and could not therefore replace Nato. It could, however, provide a

more formal process of politi-cal consultation between all the European countries, the US, the Soviet Union and Canada. Such consultations could be modelled on the political co-operation process of the 12 European Community coun-

The EC had proposed that CSCE foreign ministers should meet twice a year to discuss and resolve differences between them, and that heads of state should meet about

Yugoslav crisis meeting ends with appeal

hold Yugoslavia together after weekend clashes between Cro-atian police and Serbian pro-

"The situation was assessed as very grave," Tanjug news agency said after the government's two-day meeting.

The government appealed to all people to "refrain from any actions that can make the situ-

them general directives. Unlike a number of other member countries, such as the Soviet Union and some eastern European countries, the British foreign secretary said that only a small permanent secre-tarist should be set up to serve

the new European structure. The US has been talking in terms of a 10-15 member secretariat. Some differences of emphasis could also be perceived over the proposal to set up a Con-flict Prevention Centre, the

object of which, Mr Hurd said, should be to ensure rapid com-munication between member states in times of tension, and greater transparency and pre-dictability of military situa-Mr Eduard Shevardnadze, the Soviet foreign minister, has made it clear that Moscow

matter, but as the key to the matter, but as the key in the whole new European structure. It should be seen as a "model for future democratic security structures that will transcend alliances", Mr Shevardnadze told the conference.

The UK has also proposed the setting up of a procedure for the conciliation of disputes between CSCE states, a procedure which could be purely voluntary, Mr Hurd said. In The three foreign ministers of the Baltic states, Estonia, Latvia and Lithuania, yesterday formally requested the CSCE member states to grant them observer status at their

Paris summit next month.

They said that they were heartened by the movement towards agreements on Raltic membership in the CSCE and urged the member states to have the courage to support a Baltic application for participa-tion in the Helsinki process. looks upon the creation of such

Talks agreed on Lithuania

ation worse" and not to take up arms. But the only action it ordered was to send a team to Croatia to study the situation. Lithuania and the Soviet Union agreed yesterday to hold formal talks about the repub-Tensions rose further yester-day as armed groups of Serbs in Croatia, the second biggest of the six republics, sealed off the town of Knin in which they are a majority, blocking roads and cutting rail links. lic's drive for independence, Reuter reports from Moscow. Lithusnia's President Vytau-tas Landsbergis said both sides agreed at talks in the Kremlin

to form groups to draw up a



The Hungarian prime minister, Mr Jozsef Antall, addressing the parliamentary assembly of the Council of Europe in Strasbourg yesterday. Hungary heads the east European queue to join the Council, the oldest European organisation which is increasingly seen as the forum for the protection of human rights, and its candidacy has been unanimously approved, David Buchan writes. However, formal Hungarian entry has to await a decision by ministers of the Council's member governments in November.

In simple order of application, Poland and Yugoslavia should be the next two to join, but Council of Europe officials predicted yesterday that both countries would first need to hold fresh elections. Thus the next entrant may be Czechoslovakia, which made its attempt to join the 23 countries only last April.

Hungarian coalition fears

Hungary's conservative majority, threatened to walk coalition faces its greatest test of its five months in power at the court's decision. The after the constitutional court yesterday rejected a proposal to return land to pre-commu-nist owners, Nicholas Deuton writes from Budapest,

The Independent Smallholders Party, whose support is crucial to the government's

at the court's decision. The main plank of the Smallholders is the restoration of property which was confiscated after 1947. Mr Sandor Olah, deputy leader of the Smallholders faction, confirmed that there was a chance the party would leave the coalition this week.



In 1956 he changed his name and took on the role of international star. On November 5th 1990, Securicor Express will follow his lead.

It used to be Maurice Micklewhite. But not a lot of people know that.

By changing his name he became Alfie, Harry Palmer and a huge box office success.

Securicor Express has been delivering parcels almost as long as he's been delivering lines. But by midnight on November 4th it will have made its last delivery.

overnight parcel carrier will do as Mr Micklewhite did, and the new name Securicor Omega Express will take over as we take on the world.

But changing our name is only part of the story. We're making the whole operation easier to use both here in the UK and, in the future, across international borders.

The numerous different services have been organised into easy to understand groups and, for the price of a local call, they're all available through one central telephone number.

And we monitor our domestic shipments with the most advanced computerised system in the industry. No other parcel carrier does this.

The one thing we won't change is something else the other carriers envy. Our staff.

Every single one of our 5,000 employees, from the tele-operators to the couriers, is a courteous profes--sional you can depend on because each must graduate from our customer care training centre before being allowed to work on your business.

Securicor Omega Express aims to have national operations across Europe within five years, and around the world by the end of the 1990s. .

They'll be linked not only by an international network but by a consistent high level of service.

Call the Omegaline on 0345 20 0345, and you'll witness the effect this customer care training is going to have on the world.



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The Czechoslovak parliament yesterday approved the return of property conflicabled under communist rule, Reuter reports from Prague. The law passed by 202 votes to six, with 38 abstentions. It primits people to recleim property. taken over between 1955 and 1959. It does not cover agri-cultural land incorporated into co-operative farms. The government has drawn up plans for retraining miners and for cushioning their redun-

The Czechoslovak

dancy with unemployment benefits. Officials admit that for many of the older workers, retraining and relocating will be all but impossible. The shop managers, whose disruptive potential is even greater than the miners, are angered by plans to sell off their businesses to wishes to buy. The managers, supported by their staff in many cases, are demanding that they be offered first

infusal in the sale.

In effect, this means that profitable shops will be bought by their managers and staff, and the loss-makers put up for sale on the open market. The managers have staged sporadic strikes and threatened a two-hour stoppage today.

Iata warns airlines are facing 'serious losses'

By Paul Betts, Aerospace Correspondent SOARING jet fuel prices and the threat of recession are putting a severe squeeze on airlines and are expected to accelerate the current shake-out in Europe and the US.

Fuel price rises have already

To of already rising labour costs and signs of decline in passenger traffic growth.

Many airlines will suffer serious losses if fuel prices continue to rise, insurance costs remain high in the Growth.

Fuel price rises have already added an estimated \$5bn (£2.6bn) to the industry's over-

region and the world economy slows down significantly. Mr Ganter Eser, the head of the International Air Transport all annual costs. They come on Association (lata), warned yes-terday. The US airline industry The Financial Times (Emope) Ltd Published by the Financial Times (Europe) Ltd., Frankfurf Branch, (Gunolettstrase 34, 6000 Frankfurt-ambain 1: Telephone 069-75980; Far 069-722677; Telex 416193 mpresented by E. Huge, Frankfurt/Main, and, as members of the Board of Directors, R.A.P. McClean, G.T.S. Dames, A.C.-Miller, D.E.P. Palmett, London, Printer-Frankfurter. Societaets-Druckers-GmbH, Frankfurt/Main, Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London 251 9HL, The Financial Times Ltd. 1990. has so far been the worst hit.

Many US carriers have already taken steps to reduce capacity and lay off employees and have warned of a signifi-cant deterioration in performance. After reporting operating profits of \$1.4bn last year, US airlines broke even during the first six months of this year. But the combination of higher fuel costs is expected to see the US industry in the red, with an operating loss of about

with an operating to Mr Frederick Bradley, a senior vice-president at Citibank.

US Air became the latest carrier to signal balance sheet problems when it suspended indefinitely its quarterly dividend, after announcing it was laying off 3,600 employees. No 67806D.

Financial Times (Scandinavia) Oster and 44. DR-1800. Contenting of the American Afrilines and Delta have warned of significant deterioration in profits. Even strong airlines like American Airlines and Delta have His name's Michael Caine.

On 5th November the UK's largest privately owned

Budget deal to raise tax bill for foreign companies

bying efforts of, among others, the British government have helped persuade both sides to drop an earlier congressional proposal for a withholding tax

on capital gains made by for-

British investors, the largest such group in the US, would have been uniquely affected

since almost alone among lead-

ing industrial countries the UK

does not have any specific pro-tection from such a levy in its tax treaty with the US. Britain does not impose capital gains tax on US-owned assets in the

Mr John Major, the British chancellor of the exchequer, wrote last week to Congress-man Dan Rostenkowski, the

Democrat chairman of the tax-

FOREIGN companies investing in the US face an additional tax bill of \$300m (£159.5m) over the next five years as a result of the budget agreement.

However, more far-reaching proposals for a withholding tax on foreigners' capital gains

have been dropped.

Following a barrage of criticism that some foreign-owned companies in the US have been paying insufficient tax, the agreement proposes extending powers of the Internal Revenue Service in auditing and scru-tinising records of such

operations.
Last year the IRS was given powers to inspect the books of US subsidiaries of foreignowned companies, and the latest proposal extends its authority to seek past information ity to seek past information from branches of subsidiaries. But this only applies to records in existence this

The agreement would also cover all tax-related aspects of a company's business, not just its transactions with related

The hope is that by granting

be able to collect an additional mittee, to underline British concern about such a withhold-\$300m up to fiscal 1995. While foreign governments and investors are concerned about the possibility of extending extra-territorial authority of US agencies, there is relief that the provisions are not as onerous as suggested in a congressional measure earlier this

ing tax.

He said the British parliament "would find it impossible to understand why the US Congress should wish to pass at this time legislation that would include the said single out the UK among the US's major trading partners for

iverse treatment". Mr Major added that if the proposal was passed, "there would be strong pressure to impose a retaliatory capital gains tax on US-owned assets in the UK". This would hit the substantial investment flows between the countries.

While the tax has been dropped from the budget agree-ment, congressional committees are investigating the alleged underpayment of tax, notably by Japanese and South Korean-owned subsidiaries in the US. This takes place through the practice of trans-fer pricing, in which prices are manipulated to understate profits in the US and other countries.

Consequently, new proposals to increase taxes paid by for-eigners are likely to be revived

Bush to make television appeal

PRESIDENT George Bush was due to make a televised address to the American people last night to rally support for the budget agreement in the face of strong criticism from many congressmen. Their opposition is already affecting the run-up to next month's mid-term elections.

Many incumbent senators and representatives who face close races, and their challengers, are opposing the package, which raises indirect taxes and cuts Medicare health provision

for the elderly.

The most significant opposition comes from House Republicans, many of whom, led by Congressman Newt Gingrich the minority whip, have said they will oppose the package in votes over the next 2½ weeks because of the \$134bm (\$71.2bm) increase in taxes proposed over five years. Mr Gingrich said the pack-

age would "kill jobs, weaken the economy and the tax



Darman: supports package

increase will be counterproduc-Mr Bush yesterday met 60 sceptical Republicans to win them over. Mr Marlin Fitzwater, the White House spokesman, said the president was going to be arm-twisting and

interests of America".

During the meetings, Mr Richard Darman, budget direc-tor, gave six reasons for sup-porting the package; it was the higgest deficit reduction ever, it had the toustest enforceit had the toughest enforce-ment mechanism ever, it achieved the higgest entitle-ment savings, it was balanced and fair, there was no other alternative in view of threat-ened across-the-board cuts, and if it were voted down there would be a negative impact on

The prospects look good for approval by the Senate - only a third of which is up for rea third of which is up for re-election next month — but it is likely to be a close result in the House, where all members face voters. If the package is rejected, up to \$106bn in across-the-board spending cuts will be imposed under the Gramm-Rudman deficit reduc-tion law.

Congress backs tough new powers for SEC

By Peter Riddell

The US Securities and Exchange Commission has been granted extensive new powers over the operations of markets and to combat fraud. Mr Richard Breeden, SEC chairman, said new legislative measures just approved by both houses of Congress repre-sented "probably the most sig-

nificant change in securities laws in several decades".

On Monday the House followed the Senate in approving a hill which expands the range of violations for which the of violations for which the SEC can impose civil penalties. The agency will also have powers to issue temporary cease and desist orders to combat fraudulent sales practices in the market for low-price securities known as penny

Under the present law the SEC can impose fines only for insider trading. That provision will be broadened to cover all violations of federal securities laws, including filing false disclosure documents. Fines range up to \$100,000 for an individual and \$500,000 for a commany.

Another measure, approved at the end of last month by both houses, will extend SEC powers over markets. The agency will be able to ask securities firms about large trades and about the financial health of broker-dealers' hold-ing-company marents. ing-company parents — a response to the failure of Drexel Burnham last Febru-

ary. The SEC will also be given, for the first time, power to close securities markets in times of emergency, although only with presidential permis-

co-ordinated clearance and set-tlement of stocks, options and futures contracts between the SEC and the Commodity Futures Trading Commission. The Senate and House have resolved divisions to give the SEC power to ban programme trading — computer-driven trading in several stocks simultaneously — in periods of market turbulence. The measure authorises the

SEC to "prescribe means reasonably designed to prevent manipulation of the market or

US business interest in Europe soars

By Martin Dickson in New York

THE COLLAPSE of the Soviet empire has greatly increased US business interest in European investment, according to a study released in the US by consultants KPMG Peat Marwick

The survey, designed to gauge US business attitudes to the European Community's 1992 initiative and the opening up of eastern Europe, covered more than 700 executives from large and mid-size US

It found that 65 per cent of companies had already expanded, or were planning to expand, their production or service capacity in Europe.
This compared to 36 per cent in a survey

conducted in 1989, before the Berlin Wall came down and which did not cover atti-

tudes towards eastern Europe.

The survey found that larger companies

particularly those in high technology. transport and manufacturing - were lead-

About 50 per cent of respondents were planning significant new investments in the EC, 28 per cent in eastern Europe and only 14 per cent in non-EC west European Some 58 per cent of companies planned to merge, acquire or enter into joint ven-tures with European partners, or had

Nearly half the companies planned to change, or had already altered, their dis-tribution arrangements in Europe. One in ern European countries for export to the EC, the survey showed. five said they would manufacture in ea

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Since the Berlin Wall came down, 43 per cent of the companies polled had sent a representative to eastern Europe to invesrepresentative to eastern kindle in investigate business opportunities.

Almost two thirds had either entered (20 per cent) or planned to enter (44 per cent) the east European market, while nearly a half had either entered (15 per cent) or planned to enter (32 per cent) the Soviet Union.

Uruguay

plans debt

buy-back

By Leslie Crawford

URUGUAY aims to buy back

two-thirds of its \$1.50n (2850m) commercial bank fareign debt through a package of debt reduction and fresh loans it will begin to negotiate with

creditor banks in New York

tomogrow.

Mr Agustin de Uriuhey, cen-tral bank vice-president, believes the target is feasible as a considerable number of

banks want to sell Urugusyan

paper".
Its debt is currently being

traded on the secondary mar-kets at 48.5 per cent of face value, and the country would only have to pay between \$400m and \$500m to redeem up to \$1bn of its foreign debt. To clear the negotiating path with commercial banks, Urcans gioned a letter of intent

gusy signed a letter of intent with the International Mone-

tary Fund in September. In

exchange for an SDR118m stand-by credit, the govern-ment of President Luis Alberto



A protester rolls a tyre towards barricades during demonstrations marked by poor turnout

Nicaraguan unions agree to talks

PRO-SANDINISTA unions agreed to negotiate with the government after what they had billed as a massive antigovernment protest drew only a few hundred people, heavily outnumbered by riot police, Reuter reports from Mana-

the Sandinista-affiliated National Workers Federation (FNT), told protesters at the end of the day-long rally on Monday: "We will speak with the government to demand it keeps its promises and puts an end to plans to fight inflation by firing thousands of

Pro-Sandinista newspapers had forecast that some 80,000

Nicaraguans would join the demonstration in Managua, called to protest against President - Violeta Chamorro's eco-

nomic austerity plans.

But by the end of the day only several hundred Sandinista supporters had turned out. The protesters were blocked from the presidential palace by about 2,000 riot The Sandinistas organised police. There were no reports

Mr Jimenez said FNT dele-gates would meet government officials to decide whether to join talks between the govern-ment and private sector aimed at reaching a national consensus on reforming an economy crippled by US eco-monic sanctions against the previous left-wing Sandinista government and a decade of

The talks have been boycotted by the Sandinistas and their sympathisers in the FNT since they began on Septem-

Monday's protest, coupled with a campaign of civil dis-obedience, to prevent Mrs Chamorro from enacting a series of tough economic reforms that would eliminate about 25,000 government jobs and privatise hundreds of state-owned companies. A left-wing radio station was burnt down in the capital on Sunday night as the gov-ernment called for calm.

nent of President bits Alberto Lacalle has committed itself to reducing the public sector defi-cit to 2.5 per cent of gross domestic product by the end of 1991, from a level of 6.5 per cent at the start of this Inflation will also have to fall to 30 per cent in 1991 from

> 110 per cent. Officials say that as a result of recent revenue raising mea-sures, the public sector deficit target will probably be met by the end of this year. The inflation target, however, will be more difficult to achieve if oil price rises continue. Urugusy imports all its oil.

CRISIS IN THE GULF

Iragi forces 'executing Kuwaitis'

IRAQI forces have executed and tortured scores of people in Kuwait and hundreds more are being detained, Amnesty International alleges today. The London-based human rights group said its report was based on a range of sources in and outside Kuwait.

Amnesty said it was unable to confirm some reports but the

testimony builds up a borrity-ing picture of widespread arrests, torture under interrogation, summary executions and mass extrajudicial killings". Doctors from Kuwait hospitals said Iraqi soldiers brought in bodies of young men, some only 15, shot at close range. Amnesty said some Kuwaitis suffered electric shocks and prolonged beatings. Others had limbs broken, and finger and toe nails pulled out. Scores of ngings at Kuwait University

had been reported. Iraqi forces had arrested men, women and children found with opposition litera-ture, the Kuwaiti flag or photo-graphs of the Emir of Kuwait.

of fat profits following Iraq's invasion of Kuwait, oil refiner-

les are back in the red again. Meanwhile oil traders are puzzling over the kaleidoscopic daily fluctuations in the oil

markets that have thrown tra-

ditional price and supply rela-

head," says the manager of an oll trading operation at a large

oil company.

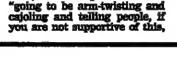
The US has been exporting petrol to Europe at a time of year when the flow of trade

usually heads west. The Soviet

Union is trying to buy petrol in Europe, according to one

trader, for the first time since the second world war. Jet fuel prices have risen

"The world is standing on its



Divided Arabs call off meeting with EC

By Tony Walker in Cairo and David Buchan in Brussels ITALY has been forced to

The oil world stands on its head

Steven Butler on how the Gulf crisis has distorted the market

postpone a meeting between European Community foreign ministers and their Arab league counterparts next week because of the bitter divisions in Arab ranks. Mr Gianni de Michelis, the Italian foreign minister had, in Italy's capacity as EC council

president, invited all Arab League members, bar Iraq, but it became clear that Baghdad sympathisers such as Libya snd Yemen would not attend. Mr De Michells yesterday bowed to the inevitable and announced the postponement been told by several of the Arab foreign ministers be saw in New York, including Prince Saud of Saudi Arabia, that though they supported the ini-tiative, they had quaims that a poorly attended meeting in Venice would only highlight

Arab disunity.
At their meeting last month, the EC ministers issued a dec-laration reaffirming their "determination to consolidate and reinforce the historic ties of friendship which bind them



Gianni de Michelis: West partly to blame for crisis

to the whole of the Arab world". The proposed Venice meeting had been intended to flesh out this declaration with talks over issues broader than the present crisis. EC diplomats yesterday

sought to put the best face on the postponement. They said the purpose of showing Europe's solidarity with the Arab world had already been served by a strong anti-Iraq statement agreed by ministers of the EC and of the Guif Co-or-dination Council (GCC) mest-ing in New York.

The Arab League has virtu-ally stopped functioning as a forum for all the Arabs since an emergency summit on

an emergency summit on August 10 approved, narrowly, the dispatch of a deterrent force to Saudi Arabia to con-front Iraq.

Arab states are still squabbl-

Arab states are still squabbling over the re-location of the Arab League headquarters to Cairo. The pro-western majority among the 20 Arab states and Palestine has agreed to move the General Secretariat back to the Egyptian capital by 31 October. However, an Iraqled minority is baulking at such a move.

News that the Venice meeting was being called off coin-

ing was being called off coin-cided with faint signs of opti-mism in Arab capitals that a diplomatic solution to the Gulf

Arab experts warn that a slightly more conciliatory tone from Baghdad at the weekend may simply be a tactical manceuvre to "buy time" and to drive a wedge between France and the US.

On Sunday, President Saddam Hussein referred positively to a four-point peace plan advanced by President Mitterrand who linked a settlement of all

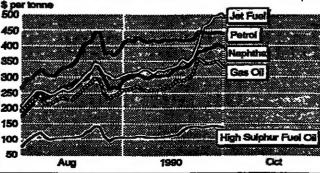
who linked a settlement of all outstanding Middle East issues with an Iraqi withdrawal from Kuwait. President Bush appeared to nudge towards the Mitterrand position when he said, in a UN address on Monday, that 'in the afternath of Iraq's preconditional departure. Iraq's unconditional departure from Kuwait, I truly believe that there may be opportuni-ties...for all states and peoples of the region to settle the con-flict that divides the Arabs and

The President's guarded talk of a comprehensive settlement indicated that the US may be redoubling its efforts to find a An Egyptian Middle East expert said that it seemed that Washington was getting the message that any conflict would involve enormous risks for all concerned, not least for the Americans themselves. Meanwhile, EC foreign min-isters have finally agreed to give Ecul.5hn (£1.04bn) in ald

give Ecul.5bm (£1.04bm) in aid to Jordan, Egypt and Turkey. The move follows weeks of indecision over where the funds should come from. The ministers agreed that the three states should get Ecu500m in grants and loans from the EC budget with the remainder coming from national exchequers.

The European Commission had earlier proposed that half - Ecu750m - come from the EC budget to lessen the argu-ment over national contributions. This argument is now likely to be all the fiercer, because the sum to be found is slightly larger and because the UK, France and Germany say they should pay less due to the fact that they have contrib-uted, in kind or in cash, to the williage offert in the Cult military effort in the Gulf.

Refined oil product prices



leum Argus, the weekly oil market newsletter, calculates

refining unprofitable.

Refineries are expected to reduce crude processing in the weeks ahead, and some are scheduled to shut down for scheduled maintenance programmes. By the time the come back on stream again, another steep rise in refined product price, or possibly a fall in crude relative to refined products could put them back into the money again. That, in any case, is how the market is supposed to adjust in theory.

Israelis fear missile attack on cities

By Hugh Carnegy in Jerusalem

JUST as the government JUST as the government sought to reassure the Israeli public yesterlay that mass distribution of gas masks did not mean an emergency was imminent, atr raid strens suddenly wailed over part of Jerusalem. It was a mistake. But the seriousness with which it was taken — schoolchildren to atraid shelters — textified to a raid shelters — testified to a deepening public belief that war is close in the Gulf and that it may well envelop Israel.
At times during the last two months, Israel has run ahead of

the pack in predicting an early outbreak of hostilities, explained partly by wishful thinking that the US and its allies are poised to smash the regime of President Saddam Hussein.

dent Saddam Hussein.

The authorities may now be less rash. But, as the bringing faward of gas mask distribution shows, there is a belief that the crisis is on course for conflict and a heightened concern that Mr Saddam will live up to his threats to strike Israel.

The Israell military says publicly it still regards such a strike as unlikely. But it is nevertheless taking seriously the threat less taking seriously the threat from Baghdad 10 days ago to strack israel and Middle East cilfields, not if it first comes under attack as previously stated, but if sanctions begin to "strangle" the Iraqi people.

It traces this "change of pol-icy formulation" to two meet-ings Mr. Saddem commended.

ings Mr Saddam convened on September 21 and 23 of senior military leaders, ruling Ba'ath party figures and government officials. These meetings are said to have stiffened Mr Sad-dam's refusal to relinquish Kuwait and his readiness to fight, despite his isolated posi-

tion.

The Israelis say this isolation has not induced any tendency in retreat by Mr Saddam. On the contrary, because he has little left to lose, he facils he can only gain by exercising options such as a strike on Israel. — either as a first strike or a retaliation.—

Which could well relly Areks to which could well rally Arabs to his side.

Israeli fears focus on Iraq's surface-to-surface missiles which can hit Israeli cities in minutes and may carry chemical warheads. Their ability to terrorise, rather than to effect real strategic damage, is what wordes the anthorities. "The problem is not the quality or quantity of missiles, it's the impact," said an official.

Although no real defence exists against these extended-range Soviet Soud missiles once fired, the time needed to prepare them for launch could mean Israel had time to make its own pre-emptive strike.

The government is, however, under pressure from Washing-Israeli fears focus on Iraq's

The government is, however, under pressure from Washington not to take any military action that could unset its anti-lraq Arab allies. "We are not doing what we know we should be doing because you, the USA, want us to keep a how profile," said Mr David Levy, the foreign minister, in a telling comment to American Jews recently. Nevertheless, officials have made clear this restraint has its limits. "Our only — our exclulimits. "Our only — our exclusive — consideration is the security of Israel," says hir Yosai Achimeir, a senior side to hir Yitzhak Shamir, the prime ministar. "If there are signs (fraq) is attacking us - or is going to attack us - we will act to defend our security."

demonstrate the operational capabilities of the hattle group." Asked if the presence of the independence was miltarlly useful in the confined and crowded waters of the Gulf, Commander van Sickle said: There is sufficient space in the Gulf to launch all her aircraft and recover them." The last US carrier to enter the Gulf was the USS Constellation in 1974. Two other US carriers are in

EE ST September 1 ^l European post to Gre

Falga joins 6.

from around \$200 a tonne on August 1 to about \$500 at the end of last week, before falling off with the rest of the oil market this week to about \$470. The traditional price differential between heavy fuel oil (used in power stations) and gas oil (used for industrial and home heating) has rocketed from between \$50 and \$60 to

mearly \$200.

Were jet fuel prices typical of the rest of the product slate, refineries would be flush with money. Yet while the rise in jet prices has outdistanced the rise in crude prices by about 50 per cent, fuel oil has moved only slightly and other products are somewhere in between. The net result is that between. The net result is that refineries are now losing money on each barrel of oil

they process.
This would appear a strange result for an oil market crisis supposedly characterised by a shortage of refining capacity rather than a shortage of crude oil. The market, however, has been buffeted by complex changes in both the pattern of supply and demand for individual refined products, as well as the changing qualities of crude oil hitting the market, in which chemically heavier crudes are replacing Iraqi and

Kuwaiti exports. Some traders say the pricing formulas under which heavy Iranian and Saudi crudes are being sold do not now offer enough of a discount to light

crudes such as Brent from the North Sea to make them attractive. The heavy crudes produce a much higher proportion, about 50 per cent, of heavy fuel oil in the refineries, but as the graph shows, heavy fuel oil prices have hardly risen since the start of the war.
Indeed, they have risen just
enough to discourage utilities
from burning the fuel, causing
large inventories to build up in
refinery storage tanks.
Discount formulas of about

\$4 for heavy crudes compared to dated Brent cargoes (for delivery within 15 days), for example, are common. They may have made heavy crudes attractive three weeks ago, but no longer.
"That difference does not match the difference in refin-

ing values," says one trader.
"You cannot get your crude value back." The differential against Brent has been fixed by the producers at a point where it is relatively more profitable, or

less loss-making, to buy and process Brent whatever the absolute price. One trader says

demand for Brent that may have boosted prices by as much as one or two dollars.

The Iranians, never known for keeping good customer relations, have been tough on prices. Saudi heavy crude prices are also said to be high, although traders expect revised sales formulas to be issued this week that will include a higher discount. demand for Brent that may include a bigger discount.

The differential apparently being demanded by the market — as much as \$7 compared to a traditional discount of \$1.50 —

this has contributed to extra

umpalatable to the producers, who figure they are doing the world a favour by boosting out-The loss of about 1m barrels a day of product exports from the Gulf region, coming from sophisticated refineries, has also created shortages. One trader figured that a typical Japanese refinery would have to run about 50 per cent more crude oil than a Gulf refinery

to produce the same amount of middle and light products, such as jet fuel, the chemical

however may prove politically

200 150 100 feedstock naphtha, or petrol.

A Japanese refinery —
which is relatively unsophisticated — would also be left with

large amounts of high sulphur heavy fuel oil that cannot be burned in Japan because of environmental restrictions and cannot be exported without government permission. Petrothat Japanese refinery storage will at this rate be full by mid-October, which would force refineries to stop processing

Petroleum Argus has also concluded that the rise in crude oil prices reflects not speculation, but a shortage of crude which must be processed

in large volume to produce enough jet fuel to meet grow-ing demand. However, while the high price of jet is an incentive, the relatively lower prices for other products produced at the same time make

US carrier enters Gulf THE US sent an aircraft carrier said: "It's up here primarily to

into the Gulf for the first time in 16 years yesterday, writes Victor Mallet in Bahrain. The move will put had and Iraqi-occupied Kuwait within striking distance of the USS Inde-pendence's 70 aircraft without the need for mid-sir refuelling. US officials in Dhahran, Saudi Arabia, said the carrier its hattle symm of control this its battle group of escort ships were passing through the Strait of Hormuz and would remain in the Gulf for a short period to conduct "routine operations" Commander J.D. van Sickle

the region, the John F. Ken-nedy in the Red Sea and the

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Peugeot's chief attacks Britain on Japan plants

By Kevin Done, Motor Industry Correspondent, in Paris

MR JACQUES Calvet, chairman of Pengsot, the lead-ing Franch carmaker, yester-day launched a bitter attack on the UK government for allow-ing Japanese car makers to set up assembly plants in the UK. "More and more, don't we "More and more, don't we hear people talk about the UK as if it were a Japanese atteraft carrier just off the coast of Europe, or even Japan's fifth major island?" he asked in a speech at the Paris motor show.

show.

Mr Calvet, who has led the campaign to maintain strict controls on Japanese car sales in Europe after the creation of the single European market, called yesterday for a halt to all talks between the European Commission and Tokyo on the removal of the present bilateral restraints on Japanese imports.

imports.

He said it was vital "for Europe's jobs, technology and standard of living" that negoti-ations should be suspended ations should be suspended until European governments had met to define a new concept of Europe, and until the European Single Act had been renegotiated to include provisions for a common trade policy with countries omside the EC. At present, the EC had "no clear idea of its future"

clear idea of its future".

The stance taken yesterday by Mr Calvet is the most extreme yet adopted by a European carmaker. He was excluded recently from a European Commission meeting with other leaders of the Eurowith other leaders of the European car industry, apparently because of the intransigence of his views. But yesterday, he claimed he was in total unity with the leaders of Fiat, Renault and Volkswagen.

Mr. Calvet, laid out a hard-line five-point plan for resumed negutiations with the Japanese on car sales in



Mr Calver: Five-point plan

five non-negotiable principles:

No new Japanese car plants would be allowed in Europe, and the planned production volumes at the three plants currently under development in the UK by Nissan, Toyota and Honda should be reduced;

Quotas on Japanese car sales in the EC would be maintained for 10 years from the tained for 10 years from the beginning of 1993, with the pos-sibility of a further extension beyond the year 2002, if the Japanese failed to show "reci-

Japanese mied to show reci-procity".

The overall EC restriction on Japanese sales would be maintained at a share of 10 per cent for the whole of the 10-year period, as would all exist-ing bilateral limits such as the 3 per cent limit in France;

The quotes would include The quotas would include all Japanese cars whether imported or assembled inside the Community. Any increase in transplant output would lead to a corresponding cut in

imports;

The EC should establish aid

acciet investprogrammes to assist invest-ment and research in the Euro-pean car industry and in other industrial sectors under attack from the Japanese.

EC carmakers want 10-year protection from Japanese

By William Dawkins in Paris

THE HRADS of four of the European Community's higgest carmakers have shown agree-ment that they want at least 10 years' protection from free Jap-wasse import competition.

Fiat, Volkswagen, Peugeot
and Renault, representing well car makers needed a hreathing

over half European ear produc-tion, showed a significant toughening of their demands at a debate in Paris, possibly a

ers' pleas for protection, in contrast with its former inclination towards free trade with Japan. This places the French, Italian and most of the German car industry more firmly than ever at loggerheads with the EC. Brossels is grudgingly ready to support five years' voluntary restraint by Japanese exporters to the EC.

"It is impossible to think of less than 10 years as the period was need to acquire technologi-

less than 10 years as the period we need to acquire technological credibility," Mr. Umberto Agnelli, vice chairman of Fist, told the debate, organised by Action Automobile, a car industry magazine.

The EC should allow unimpeded competition from Japanese carmakers only on condition Japan reduced barriers in restricted sectors such as bank-

ing, insurance and public works, argued Mr Raymond Lévy, chairman of Renault. Dr Carl Halm, chairman of

space to adjust to Japanese carmakers' deep cultural and structural advantages. "I agree, except that there are and the downturn now hitting major car markets.

It is a clear public confirmation that Volkswagen backs the French and Italian carmakers' pleas for protection to the protect

Dr Hahn could not, for example, imagine asking Volkswagen workers to accept Japanese holiday conditions. Yet if European car makers failed to use this period to adapt, "the first dish that their workface will be served on Jamary 1998 will be mamployment."

The debate was not attended by Daimler-Benz, isolated as the only major Europeanowned carmaker in favour of

the only major European-owned carmaker in favour of free trade. Between them, the four represent just over 7m of the 134m cars made in Europe, by companies of all national-ties, last year. Dr Hahn and Mr Jacques Calvet, chairman of Peugeot, argued Europe needed to strengthen its componentmaking industry. One option was more joint purchasing of the kind practised by Renault and Peugeot in France, Mr Cal-

at least 800,000 tonnes this year, he added. Mr Klossis says he also

anticipates that recent market-ing efforts in eastern Europe will attract cargo from both Czechoslovakia and Hungary

An increase of at least 10 per cent in tomage handled is forecast for 1990.

A Drahn expansion plan includes the purchase of a second 40 ton graphy come to

ond 40-ton gantry crane to increase container handling capacity and four new electric

E European cargo gives boost to Greek port

By Kerin Hope in Athens

SALONICA, the northern Greek port, expects to profit substantially from political changes in the Balkans which are helping to boost cargo movement to record levels.

Transit trade from Bulgaria in the Serie six months of 1991

by the end of the year.
Cargo movement through
Salunica last year amounted to
14.5m tunnes, while net revenues totalled Dri.69bn (55.8m). in the first six months of 1990 reached 100,000 tonnes, almost triple the entire 1988 figure of 35,000 tonnes. Contracts already signed indicate the total for the year will exceed

300,000 tonnes.

We've taken advantage of the lifting of restrictions in Bulgaria on which ports can be used for exports by offering extremely favourable rates, said Mr. Sotiris Kiossis, general manager of the Salonica Port Authority.

Authority.
Yugoslav cargo, which fell by 45 per cent last year to 470,000 tonnes, because of the country's domestic economic problems, is expected to total

capacity and tour new electric cranes.

Initial funding has also been approved for landfill work which will cost up to Dr7bn and enable the port to be linked directly with the city's railhead. Malaysia joins copyright pact

MALAYSIA has formally joined the international copyright pact after amendments to its copyright laws came into force, its Trade and Industry Ministry sald yesterday, Renter reports from Kuala Lumpiur.

Membership of the Berne Convention will help check

Mexico pushes for wider talks on free trade

Richard Johns on the drive towards trilateral negotiations with the US and Canada

MEXICO'S enthusiastic drive to expand nego-tistions with the US on a free trade agreement to embrace Canada as well on a trilateral basis have been fired by a rising trade surplus with the next most readily accessi-ble industrialised country.

Preliminary discussions are not expected to start until next March at the earliest, depend-ing on whether President George Bush's notification of his administration's intent to negotiate a free trade agreement with Mexico receives a "fast track" go-ahead from

"fast track" go-ahead from Congress.

Mr John Crosbie, Canada's minister of trade, recently announced his government's decision to involve itself in the consultations stressing the potential opportunities and advantages of a final negotiated accord. But it has been Mexico's initiative which has forced it to participate, according to western diplomats here.

Canadian officials say that exploratory talks would be aimed at establishing guideaimed at establishing guide-lines, dates and agenda. "Can-ada wants a good agreement according to our timetable," one stressed, reflecting, per-haps, Canada's agonising over the cost-benefit analysis of the North American Free Trade Agreement (Nafta), which came into force at the start of

After the US, Canada is the second most obvious market to exploit through its comparative advantage of a cheap, albeit increasingly restive,

It has been undergoing an increasing deficit in bilateral merchandise exchanges with

Canadian imports from Mexico were valued at C\$936.6m (U\$\$613.3 cif) compared with exports of C\$341.9m fob, according to Ottawa's statistics. For 1990 as a whole, Mexican sales are expected to reach about C\$2bn compared with purchases of about C\$700m. In 1989 Mexico enjoyed a sur-plus of C\$1.09bn bilateral trade worth C\$2.30bn, compared with C\$883m in the previous year, as Mexico's surplus rose by 31

If and when it comes to hard

bargaining, the most conten-tious issue is likely to be the

motor industry. Completed vehicles and automotive parts constitute both Mexico and Canada's most important exports to the US.

Yet in this area the equation is confused by Mexico's maguiladora, or in-bond, industry. Through this means the Cana-dian company Fleck has become a major exporter of ignition wiring sets to the US from Mexican territory.

sident Carlos Salmas de



President Salinas: wants greater Canadian investment

wants to stimulate hitherto negligible Canadian investment, still calculated at rather less than US\$450m and concenless than US\$450m and concentrated mainly in the mining industry to create more employment opportunities.

The only significant Canadian presences are Moore, which produces plastic credit cards and Bata, which is more less than the control of the cards and bata, which is more less than the cards and bata, which is more less than the cards and bata, which is more less than the cards and bata, which is more less than the cards and bata, which is more less than the cards are cards and bata the cards are consistent to create the cards are cards and bata the cards are consistent to create the cards are consistent to create the cards are consistent to create the cards are cards and the cards are cards a involved in the distribution than manufacture of shoes, a sector, like tertiles, which has

been hard hit by Mexico's aper-tura, or trade opening. Increasing Canadian investment and resulting employment opportunities are the main points emphasised so far by Mr Jaime Serra Puche, min-ister of commerce and industry, to alleviate fears about economic domination by a powerful neighbour, the US. He scheduled to return to Mexico from Canada at the

It is a fear felt by the vast majority of the population, unlike Mr Salinas and his tech-nocratic colleagues, who have not been inculcated with freemarket convictions at prestigions US universities.

There is no doubt that Mexico wants to achieve the wider free trade area far more quickly than Mr Brian Mulroney's government in Ottawa, which had to call a bitterly fought election to approve the Nafta.

He was happy enough in March to conclude a new framework agreement aimed at increasing trade and invest-ment flows between the two countries, but answered nega-tively the question as to whether Mexico had shown interest in joining the Nafta when it was subsequently learnt that the Salinas initiative had been taken in the previous month.

At least, though, Canada is not so directly affected by the

issue of the free movement of Mexican labour, which is bound to figure in US negotia-

Quite apart from the fierce opposition of Mexico's far-fromsignificant centre-left Party of the Democratic Revolution to the Salmas administration's decision to enter into negotia-

tions on free trade with the US, the Mexican private sector - while generally approving the US negotiations - has been slow to react coherently to announcements made in

Almost ritualistically it was welcomed by the Centre for Private Sector Economic Studies, an off-shoot of the supreme Business Co-ordinating Council, exuding the confidence of the more competitive dence of the more competitive industries and strong exportorientated groups. But the
Confederation of National
Chambers of Commerce
promptly warned of the need to
show caution in the defence of
weaker sectors, like textiles,
shoes and food processing.

At the same time the press, noteably El Finaniclero, has routinedly chronicled reports of the negative affects of the Natta on Canada. With reference to the US negotiations the latest edition of the radical Proceso magazine, published on Sunday, had as the headline for its cover story: "The Commercial Agreement Sought By Mexico is Already Devouring Canada."

Brazil makes cigarettes for export to **Soviet Union**

By Patrick Knight

PHILIP MORRIS do Brasil has started making eigarettes for export to the Soviet Union via the US as part of the contract arranged by the US parent

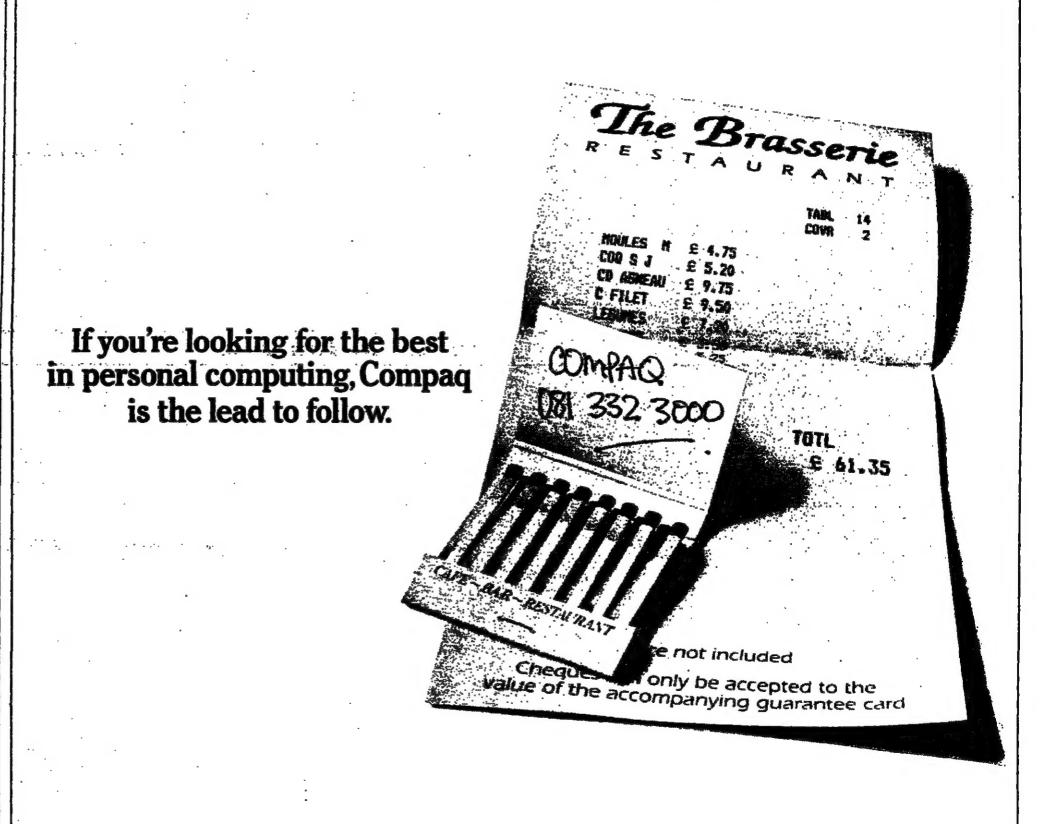
arranged by the US parent company to export 20bn cigarettes there.

An extra shift has been put on at a factory previously owned by R.J.Reynolds, whose cigarette operations in Brazil were bought earlier this year by Philip Morris for \$50m.

Philip Morris earned \$26.6m from cigarette exports last

from cigarette exports last year, more than one quarter of the company's turnover. The other two manufacturers, R.J.Reynolds and British American Tobacco's subsidiary Souza Cruz, exported \$17.5m between them last

Brazil earned \$15m from cigarette exports in 1987, \$26m in 1988 and \$44m last year. Rrazil is now the world's second largest tobacco exporter and sales of 169,000 tonnes will bring in about \$560m this year, 15 per cent more than in 1989, although volumes are lower. About half America or the Caribbean, although Souza Cruz sells to the Middle East via Cyprus.



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Buthelezi 'no' to ANC talks imperils black peace hopes

CHIEF Mangosuthu Buthelezi the Zulu leader, has refused to attend a planned meeting with the African National Congress (ANC), jeopardising prospects for a peace agreement to end fighting which has left nearly 800 South African blacks dead in the past two months.

in the past two months.

The ANC said yesterday it regretted Chief Buthelezi's decision not to attend the meeting, due to be held on Friday, between ANC officials and leaders of South Africa's six non-independent black home-

The ANC's decision to invite Chief Buthelezi, Chief Minister of the KwaZulu black homeland and leader of the Zulu Inkatha party, had raised hopes the two sides could overcome the bitter political rival-ries which have sparked much

of the fighting.
But the chief said yesterday that the gathering was "not the kind of meeting that can contribute to defusing vio-

He had earlier protested that he would not attend the meet-ing as a homeland leader the terms in which the invitation was issued - but as leader of the Inkatha political

The meeting would have brought the linkatha leader together with Mr Nelson Mand-



ela, deputy president of the ANC, for the first time since Mr Mandela's release from prison last February. He has insisted on a one-to-one meet-ing with Mr Mandela, but ANC

gathering, issued a fortnight ago, represented an attempt to bring the two leaders together without giving Chief Buthelezi pride of place in one-to-one

Nevertheless, it represented a significant concession on the part of the ANC, which blames

inkatha for the deaths of more than 4,000 people in Natal Province during the past four

ANC officials also accuse Chief Buthelezi of undermining the anti-apartheid struggle by participating in Pretoria's dis-credited homeland system of

For his part, the chief clearly rishes to force the ANC to wishes to force the ANC to acknowledge his position as the most powerful black leader in the country after Mr Mandela. His Inkatha party claims 1.7m members, and the allegance of a large portion of the rest of South Africa's 7m Zulus.

Despite yesterday's setback, bilateral talks are expected to continue between senior offi-cials of the ANC and Inkatha, excluding the leaders of the two organisations. ·

Significant progress has been made in these talks in recent weeks, with a local peace agreement signed in Natal Province and the prospect of local agreements else-

Violence in townships near Johannesburg appears to have abated in the past fortnight, following a security crackdown which includes roadblocks, a night-time curiew and confia

Nigerian debt deal hopes grow

AN EARLY resolution of the five-month deadlock over rescheduling terms for. Nigeria's \$5.5bn commercial bank debt appeared likely yesterday after a meeting in Lon-don between senior Nigerian officials and representatives of

Speaking after what he described as "informal, getting to know you" discussions, Alhaji Abubakar Alhaji, Nigeria's new finance minister, said that the two sides "were gradually narrowing down the areas of disagreement"

A formal round of negotia-tions, he said, is scheduled to take place in London at the end of this month.

The minister, who on Monday had announced that a new SDR375m (£274.5m) standby agreement with the Interna-tional Monetary Fund will go to the IMF board for approval next month, was accompanied by Alhaji Abdulkadir Ahmed, governor of the Nigerian cen-tral bank.

comed by the commercial banks yesterday, is also seen as clearing the way for a meeting between Nigeria and the Paris Club of creditors, proba-bly in early December, Niger-

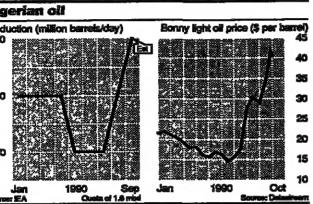
Nigerian oil Production (million barrels/day)

bank debt began last May, when Nigeria announced it could no longer make payments on the debt. The government proposed that it be recheduled over 30 years and a 3 per cent annual interest rate.

Although this was rejected, Nigeria declined to make any significant change to its posi-tion when the two sides met again in London in July. A furing month were abruptly ter-minated when news came from Lagos that Chief Olu False, the then finance minister, had lost his job in a cabinet reshuffle. His replacement, however, is ian officials said.

Deadlock over terms for rescheduling of the commercial

a veteran of the Nigerian administration, and close to President Ibrahim Babangida.



He has served as permanent secretary in the ministries of finance and planning, and as minister of budget and planning, before his move to

Nigerian team outlined the economic developments over the past few months. In partic-ular, they assessed the benefits of the sharp rise in international oil prices on the Nigerian economy. The country's production has risen from around 1.7m barrels a day to 1.5m b/d with the price approaching \$40 per barrel. The 1990 budget was based on an average price for the year of \$16 a barrel.

Alport officials said Chinese, Taiwanese, and Hong Kong Chinese were among those aboard the two aircraft

POLICE officers watched

next week.
Ms Bhutto was charged with helping her husband's business to secure planning per-mission and land at reduced rates for construction of Islam-

Japanese index rises 13% in record rally

By Michlyo Nakamoto and Stefan Wagstyl in Tokyo

JAPANESE equities yesterday staged their biggest-ever rally, taking the Nik-kei index up 13 per cent, amid hopes that the market's long decline could be

ing signals over the Middle East crisis, from news of the US budget deficit agreement, falling oil prices, lower interest rates and a surge on Wall Street on Monday. These influences combinates were the impact of Finance Ministry market supporting measures. Ministry market-supporting measures disclosed on Monday.

The Nikkei average jumped 2,676 points to close at 22,898. We had expec-

ted something of a rebound but we were totally amazed by the extent of the rise," said a broker at a foreign company in Tokyo.

Mr Kenji Dobashi, general manager

of the investment research department of Nomura Securities, said: "I think we have now seen the bottom of the decline. Although the recovery will be bumpy, it will be a recovery.

Others were not so sure, pointing to the fact that yesterday's leap still left the Nikkei short of where it stood a week ago, before it launched into its most recent panic-driven fall. Trading yesterday was only 550m shares. Mr

Yusuke Fujiwara, of Baring Securities, said: "The market rose in a vacuum."
On the futures market, both the Nikkei and Topix futures rose by the maximum daily limit and no trading was

done.

Some brokers believe that traders were looking for any excuse to bid up prices after such a sharp decline. As a result they may have over-estimated the importance of the news events which moved the market. For example, great store was set by President George Bush's peace-minded speech to the United Nations. But US and Iraqi forces still confront each other in the Guif.

Similarly, oil prices eased but remain 100 per cent higher than before the

vasion. Perhaps the most substantial de ment was an easing in domestic inte ment was an easing in domestic interest rates, in response to remarks from Mr Ryutaro Hashimoto, the finance minister, hinting at a need for an easier credit policy. The yield on the benchmark 11th issue 10-year government bond fell to 8.245 per cent on the Tokyo Stock Exchange, down from 8.540 per cent on Monday. This is the lowest yield since August. Short-term rates also fell.

Classic dilemma for Thai policy makers

The stock exchange has fallen 43% since the Kuwaiti invasion, reports Paul Taylor

HEN Thailand's Finance Minister, Mr Virabongsa Ramang-Thalland Bangkok SET Index the weekend following the International Monetary Fund/ World Bank meetings in Washington last week he faced a classic dilemma.

On the one hand lack of investor confidence in the economy, measured by the slump in the Securities Exchange of Thailand index,

Exchange of Thanant index, suggests an easing in domestic monetary policy.

On the other, soaring inter-national and domestic fuel prices pose a serious inflation risk in an economy overheat-ing following three years of near double digit economic

Today he is expected to mee Today he is expected to meet the country's newly appointed countral bank governor, Mr Vijit Supinit, in an attempt to resolve the policy dilemma.

The two men will meet against an unusual backdrop, even for fact moving and wile.

even for fast moving and vola-tile Thailand. The SKT index has fallen by more than 500 points or 43 per cent since iraq's August 2 invasion of

Hijack aircraft

crash kills 127

airliner lay strewn across Can-

airliner lay strewn across Canton's Belyan airport yesterday after being struck by a hijacked airliner. A total of 127 people were killed.

The Boeing 737 was hijacked after it left the south-eastern port city of Xlamen for the 70-minute flight to Canton. A homb exploded aboard the aircraft as it tried to land. It hit an empty parked Boeing 707 and then smashed into a Boeing 757 which was on the

ing 757 which was on the ground loaded with passenby brokers.

From its record high of 1,143.78 points on July 25 the index had fallen to 641.56 points at the end of last week prompting the English lan-guage daily, the Nation, to dub it "black September". At the same time trading volume has shrunk from a peak of baht 110bn (£2.34bn) in July to a modest baht 36.8bn last month. Despite some slight improve-

ment few are bold enough to predict the decline has bot-turned out. Some believe the market could fall another 100

Concern by the Thai authorities is reflected in a range of messures undertaken in recent weeks to bolster market confi-dence and rebuild liquidity. Among these, Mr Virabongsa has supported a doubling of the baht 5bn Ruam Pattana Fund II - effectively a stock exchange lifeboat fund backed

In recent weeks the fund is reported to have been invest-ing about baht 100m a day to support the market.

Other measures have included quick approval for three new foreign close ended funds, and the Finance Minis-ter's suggestion that tax mption for certain securities transactions be extended. In August, the Bank of Thailand eased restrictions on bank and security firms' capital ratice, allowing them to increase their stock investment portfolios to 100 per cent of capital funds from 60 per cent previously and pumped short term liquidity into the banking

So far these official measures have failed to revive the flagging market. One reason for

this could be more deep seated this could be more deep seated investor nervousness about the economy and domestic politics. On the political front, the ruling coalition, led by Prime Minister Chatichai Choonhavan's Chai Thai party, has been shaken in recent months by almost daily public rows, interamost carry funds.

The coalition's standing has been dented by two domestic fuel price increases which have

added about 30 per cent to the price of petrol and fuel oils and triggered student protests and demands from opposition MPs for a recall of Parliament to

cuss the economy. Higher oil prices are expec-ted to reduce growth from about about 10 per cent to 8

per cent in 1990.

Assuming oil prices of not less than \$30 a barrel, most private sector economists such as those at the Thai Farmers and Siam Commercial banks, are forecasting growth of not more than 7 per cent next year down from earlier forecasts of about

Private sector economists are forecasting an inflation rate next year of 10 per cent compared to the present year on year rate of about 6 per

Export earnings are also likely to be bit. Central bank estimates suggest the effect of the Gulf crists could cut exports significantly and produce a trade deficit of baht 270bn compared with the baht 20hn expected for 1990.

Mr Virabongsa insists the Thai stock market remains attractive because of the strong fundamentals of the Thai economy. Indeed, despite market qualms - and even after downward revisions - the econ-omy remains not just buoyant but booming.

While serious co such as the prospect of a hotel and construction sector collapse because of recent over building - loom large, most analysts believe the That economy has more than enou vibrancy to withstand the impact of higher oil prices.

Mr Virabongsa and Mr Vitit may well decide to continue to hold a steady course, rejecting calls from those seeking dramatically easier monetary con-



World Bank mission for Iran

By Nancy Dunne in Washington

THE World Bank plans to send a mission to Iran within two weeks to assess earthquake damage in the north-west of the country in response to an Iranian government request for an emergency reconstruction

If approved, it will be Iran's first World Bank borrowing since before the 1979 Islamic

About 40,000 lives were lost in the earthquake which struck last June. A bank

be designed "to bring life back" \$116m (261.7m) in loans out-to the region. \$116m (261.7m) in loans out-standing with the bank on It is not known, he said, if June 30. the loan would provoke politi-cal controversy within the

Tehran, seeking foreign belo to revive its war-hit economy under President Ali Akber Hashemi Rafsanjani, has bank. Similar loans for human-itarian purposes to China have been receiving approval with little difficulty, and it is believed that a loan to Iran begun forging new ties, dis-rupted by the revolution, with the twin Washington-based international lending agencies. An IMF team visited Tehran would have western support as in February for the first full-scale talks and a compre-

Iran last borrowed from the World Bank in the mid-1970s. An Iranian official said the hensive review of the Iranian economy since 1978. country Iran had just over

COMBAT

Supporters stop

Bhutto hearing

helplessly as hundreds of sup-porters of Ms Benazir Bhutto ed into a courtroom in crammed into a couriroom in
Lahore yesterday making it
impossible for the ousted
prime minister to appear
before a special court on
charges of corruption, Farhan
Bokhari reports. Ms Bhutto
waited in a judge's chamber as
more than 500 people crowded
into the couriroom. The judge
adjourned the hearing until
next week.

abad's Lake View Hotel.

Li accused of running a 'very cosy club'

MR BONALD LL the former chairman of Hong Kong's stock exchange, was yesterday accused of running the exchange with his relatives and close associates in the mid1980s as a "very cosy club" of which he was the "corretor". which he was the "captain". Mr Li is on trial on corrup-

tion charges based on his pur-chase of 500,000 Cathay Pacific Airways new issue shares in 1996, plus 200,000 Novel Enter-prises shares in 1987, when he was also the chairman of the exchange's listing committee. Yesterday Mr Michael Kalisher QC, prosecuting counsel, built up evidence while cross-examining Mr Li which echoed

the findings of an official sum Poh Shing Finance, his report conducted after the 1987 main company, Mr Li agreed his son Alfred and all but one report said that "an inside of the exchange's listing comgroup treated the exchange as a private club rather than a public utility".

Speaking in Cantonese through an interpreter, Mr Li resisted giving immediate direct answers to many ques-tions. But he agreed his lawyer son, Alfred, was the exchange's legal adviser until 1988. His other son Lawrence was the medical adviser and a company run by his son-in-law manufactured the exchange's souvenir tie pins. Answering questions about

of the exchange's listing com-mittee vice chairmen had direct or indirect stakes. Sun Poh Shing had a 25 per cent stake in SPS Investments in which Affred owned 67.5 per cent. SPS sub-underwrote sub-stantial blocks of shares to Mr

Li and his associates. The same people were linked with four other companies, one of which was 50 per cent owned by Mr Li and rented premises to the stock exchange for its club.

Mr Li described Mr Kalisher's accusations of a "small closed club" as "unfair and

inaccurate". He said he bought and sold shares as a pro sional stock broker eng trading, and this had no con-nection with his function as chairman of the exchange and the listing committee. When asked whether he had

bought the Cathay Pacific shares for his stock broking firm or for himself, he said: "I am the largest client of myself".

Mr Kalisher produced docu-ments which showed that Mr Li's share dealings produced profits of HK\$3.5m (£239,000) in 1985-96, HK\$31.5m in the fol-

lowing year, and HK\$19.5m in 1987-88.

COMBAT STRESS

'Perhaps the bravest man Iever knew...' and now, he cannot bear to

turna corner Six-lock-loar Sergeant Tiny GTCTe, OCM, was perhaps the bravest man his Colonel ever know. But now, after seeing service it. Aden, after being booby-tapped and ambusted is Notitiers related, Sergeant Tiny cannot bear to hum a corriac for lear of what is not the other skill. H & the bravest man and women from the Services that suffer most from mental breakdown. For they have tried, each one of thom, to give more, much more, than they could in the

service of our Country.

We look after these brave men and women. We help them at home, and in hospital. We run our own Countries and the these brave men and women homes med, there is our Velerans' Home where they can see out their days in peace.

These men and women have given their minds to their Country if we are to help them, we must have given their minds to their Country if we are to help them, we must have given their minds to their Country if we are to help them, we must have given their minds to their Country if we are to help them, we must have given their minds to their Country if we are

"They've given more than they could-STRESS please give as much as you can," rate find enclosed my donation for \$5052000005/f______......

Kabul rocket attack leaves 22 dead At least 22 people were killed in a rocket attack by mujahideen guerrillas on the Afghan capital Kabul yesterday, Reuter reports from Kabul More than 30 others were injured. Most of the

NEWS IN BRIEF

victims were queuing to buy coal in the city's Khushal Kham district when the rockets struck. It was the second hig mujahi-deen attack on Kabul in three days. At least 10 people died in a rocket barrage on Sunday. Rumours of an imminent full-scale attack on the Afghan capital were discounted by diplomats and aid workers in Kabul who said there was disunity among mujahideen groups. Mercy flight to Phnom Penh

An aircraft bearing the Red Cross insignia and 4.5 tonnes of medical supplies left for Phnom Penh yesterday the first of what is to become a regularly scheduled flight carrying humanitarism aid to Cambodia. Most of the supplies were destined for Mongkol Borei, in the embattled northwest, where the international Committee of the Red Cross has established a medical outpost.

Kaifu warns minister Mr Toshiki Kaifu, the Japanese prime minister, gave his justice minister a stern warning for his racial slur against American blacks but will not demand his resignation, the Foreign Ministry's spokesman said operatory, Reuter reports from Tokyo. Mr Seiroku Kajiyama said on September 21 that American blacks and operatory are strategies because both destrained foreign prostitutes in Tokyo were similar because both destroyed good neighbourhoods.

New Zealand vote boycott urged Leading New Zealand churchmen have called for a boycott of this month's general election in protest against the failure by all parties and governments to honour the Treaty of Waitangi, which ceded sovereignty of New Zealand to the British Crown, Dai Hayward writes from Wellington.

Lisbon intrigue claims Macao governor

John Elliott reports on the resignation of Carlos Melancia

A those in the Portuguese enclave of Macao have been pretty accident prone. One was murdered in the 17th century and another was heheaded in the 1850s. Many have fallen foul of the internecine politics that link the place to Lisbon, and several have been suspected of corruption in a post which can be highly lucrative. The latest man to fall is Mr

Carlos Melancia, a 62-year-old Lisbon politician who had looked more durable than most until the last few months. He comes from an engineering background, and when he arrived in August 1987 he seemed determined to push harder than his predecessors for economic and political ini-tiatives needed to develop the enclave and prepare it for 1999 when it returns to China.
Last week, however, Mr
Melancia resigned after being
served in Lisbon with a summons connected with alleged
bribery over a international

airport contract. Mr Melancia has denied ever being involved. In an interview four months ago he said that this and other personal attacks made against him in Lisbon were an inevitable consequence of domestic political activity in the run up to Portu-



gal's presidential election next

gal's presidential election next February. "Problems will ease soon," he said confidently. Located 40 miles across the Pearl River estuary from the British colony of Hong Kong, Macao rarely steals the lime-light from its immensely more successful and stitutes neighsuccessful and glittery neighbour. It has a population of only 444,000 (Hong Kong has 5.7m) on a land area of 17.4 sq km, and its main claim to fame and prosperity is its role as a regional gambling haven.

But when Macao does hit the headlines it is usually because of some intrigue linked with Lisbon's politics and the personal ambitions of the enclave's top officials.

Mr Melancia's predecessor, Dr Pinto Machado, resigned in 1987 after falling out with Dr Marlo Soares, Portugal's mesi-

Mario Soarea, Poringal's president, who personally bandles Macao's affairs. The Macao governorship is one of the few public appointments in the president's personal gift and this makes it highly vulnerable to political intrigue and attack around election time around election time.

This leads to frequent changes of governor and a serious lack of administrative continuity, exacerbated because each governor usually changes the analysis ton officials.

the enclave's top officials. Dr Soares has said that a successor to Mr Melancia will not be appointed until after the February election. In the meantime, Dr Mur-

teira Nabo, the under secretary for economic affairs, will be acting governor. Dr Nabo, aged 51, worked in Portugal for Mar-coni and was briefly minister for transport in Lisbon in 1985-86. He went to Macao as under secretary for education

in 1987. The administrative upheaval comes at a sensitive time for Macao because China has been

volcing impatience about what it has described as Portugal's sluggishness in preparing for 1999. In particular, work is far behind schedule on both the translation of local laws into Chinese and the development of Chinese speakers among local mixed-race local Portuguese-Chinese officials to take over the administration.

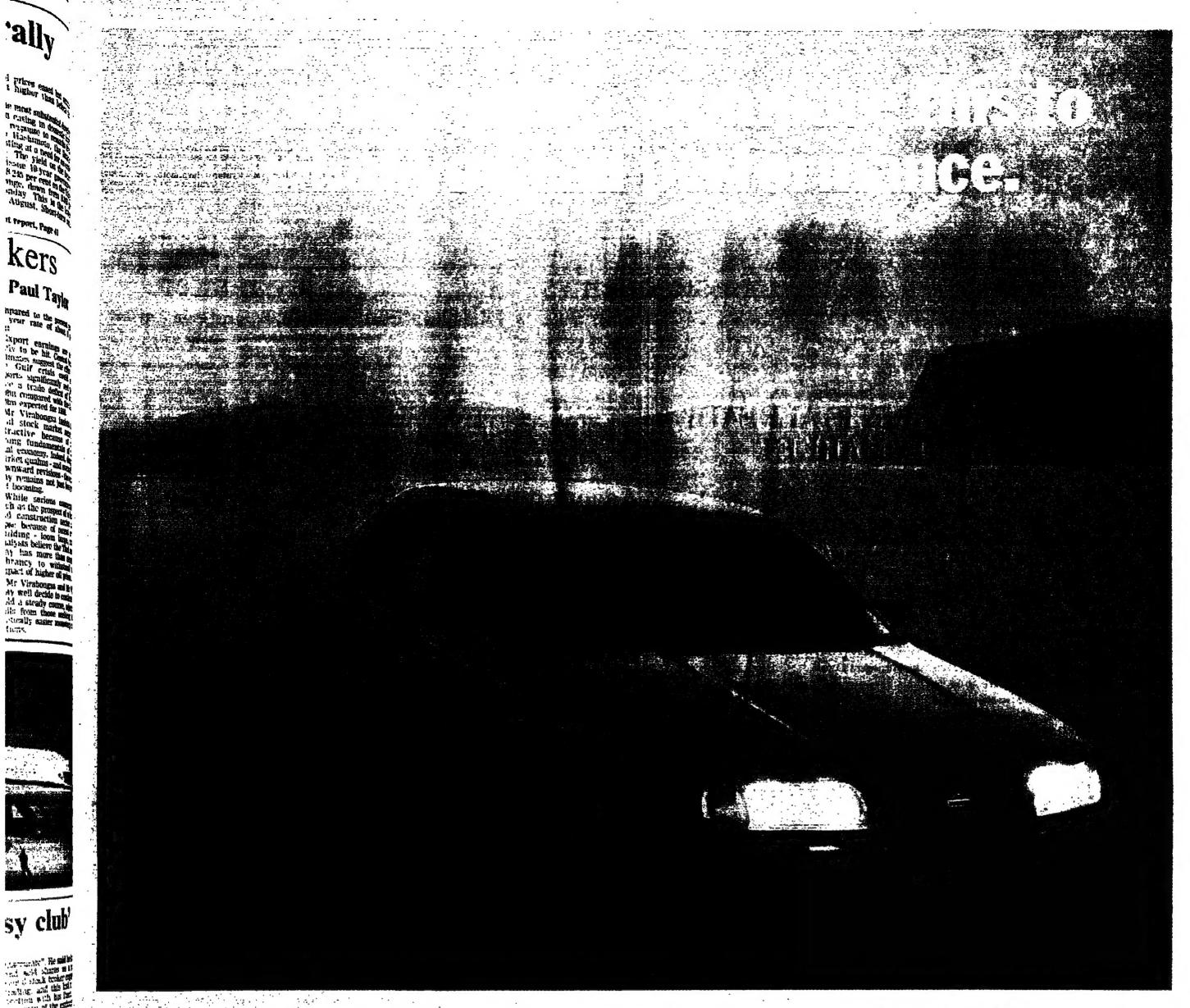
Peking has also objected this year to the new title of a Lisbon-approved basic statute, which it says sounds too much like a constitution, and has even demanded the removal of a statue of a controversial 19th

century governor from the cen-tre of the enclave. Mr Melancia hit back uncharacteristically in July and accused China of "trying to interfere in Macao's internal affairs". That is believed to have been partly designed to bolster his image in Lisbon. These rows have upset years

of smooth relations with China, which wields extensive power and influence. But they have not upset economic development which has accelerated in the past couple of years. The new governor will inherit an enclave which is enjoying con-siderable prosperity but which needs better administration with more continuity than Mr Melancia had time to intro-

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Nissan announces the Primera.

while and revisions of

A car that has spent the past several years as the centre of attention of test tracks. windtunnels and test teams across Europe.

A car that was in fact built for only ARRANTY a top of 200 km/hr. one, much more important, test.

You are that test (in fact you could say, the Primera was built to be compared).

Let's start with the engine compartment and take the Primera's performance as an example.

Firstly you notice that every gasoline powered Primera model is equipped with a 16 valve DOHC engine designed to take up less space and deliver more power.

This means we can offer you the

following numbers for comparison.

The Multi Point Injection 2.0E engine: 150 hp and a top of 220 km/hr. The Single Point Injection 2.0i engine: 115 hp and

The completely new Multi Link Front Suspension system ensures incomparable roadholding, on byways and highways, be they pebbly or asphalt smooth.

The sophisticated aerodynamic exterior design contributes to a low cd-value and a high resistance to side-winds.

However, the Primera was not created merely as a technical advancement over other cars. Its comfort, its styling, its quality-all are designed to stand up to your scrutiny.

As you realise as you take a close look at its interior.

And as soon as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

And your comparison is not only true for the four door sedan but also for the five door hatchback and station wagon.

There now seems to be only one question left unanswered: when would you like to compare the Primera?



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before there was any question of the wall coming down, we already knew the way to Eastern Europe. Via the branches of our European years. Because a bank that knows the world, automatically becomes network, which covers no less than 19 countries, including all the known throughout the world. members of the European Community. Countries in which the ABN has been working for years and where we have a thorough understanding of the markets. Not only with regard to finance, but in particular also with regard to local business practices and regulations. A WORLD OF UNDERSTANDING.

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This then is why we already know the way around in The ABN is able to respond so rapidly because, even East Berlin. For new clients. But naturally also for the innumerable international companies which we have been serving for many



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UK NEWS

Education reform put at centre of Labour Party policy

Kinnock outlines election strategy

MR NEH KINNOCK yesterday sought to cast the Labour Party in the role of a "govern-ment-in-waiting" with a pledge that it would devote all of its energies in office to strength-ening Britain's productive and competitive performance.

in a speech to the party's conference designed to demon-strate that Labour was now "fit to govern", the Labour leader confirmed that it would put a comprehensive overhand of the education system at the centre of a plan to make Britain "a capable country". A first objective would be a gradual increase in the

resources devoted to education from the present 4.8 per cent of national income to 5.5 per cent. Adopting the deliberately cautious tone that has run through the conference proceedings, Mr Kinnock warned that the transmission of the conference proceedings, Mr Kinnock warned ources devoted to education that there was no prospect of any reduction in the level of taxation under a Labour gov-

There might be tax incentives to promote savings and investment and those on the highest incomes would pay more. Beyond that, however, any lowering of the general levels of taxation would mean a further decline in the ser-



Neil Kinnock yesterday: Labour would not reduce taxes

Mr Kinnock's speech, which he said might well mark the last such occasion before the general election, won a warm ovation from the delegates in ovation from the delegates in Blackpool's Winter Gardens. In private, however, some of his colleagues admitted that they were disappointed that he had

not given a sharper focus to the election strategy. It was statesmanlike, which was right. But it did not have lift," one member of the

Others said the alm had not been to make any startling new announcements but to hegin projecting the Labour leader as a future prime minis-

Later today, however, he faces a defeat by the conference on defence spending. The delegates are expected to ignore his recommendation nd vote instead for sharp cuts in defence spending to pay for better public services. The conference is also expec-

ted to vote tomorrow for a stronger commitment then the leadership would like to study the possibility of the introduction of proportional representa-tion for elections to the House

of Commons Yesterday, Mr Kinnock said that, alongside Labour proposals to greatly expand education and training, the party would give priority to the creation of a strategic policy for science and technology and to building

a new transport system. In particular, it was committed to a modern high-speed rail-network which would be financed through a partnership between the private and public

sectors.

He sought to underline his party's responsibility'in foreign affairs with a strident condemnation of Iraq's invasion of Kuwalt. He underlined his support for the government's demand that President Saddam Hussein should withdraw

unconditionally from Kuwatt He then went further by saying that, even after such a withdrawal, the international community would have to insist on the destruction of Iraq's capacity to manufacture chemical weapons to prevent it from developing a nuclear

Accountants vote on monitoring proposals

By David Waller

THE VAST majority of the 10,000 chartered accountancy firms conducting audits in the UK will not be monitored at all for compliance with auditing regulations contained in last year's Companies Act, according to proposals being voted on today by the Council of the Institute of Chartered Accountants in England and Wales.

The UK's chartered accountancy bodies are planning a low-key approach to andit reg-ulation. Regular monitoring of compliance will be confined to the minority of firms which andit listed companies, and the draft rule-book to which all auditors will have to adhere will only be 160 pages long. The proposals are designed

to bring the accountancy pro-fession in line with the audit-ing regulations. They will have to be approved by the Depart-

ment of Trade and Industry before the ICAEW and its sis-ter bodies in Scotland and Ireland become recognised supervisory bodies under the terms of the legislation.

Given a number of spectacular andit failures in the last year, this "softly softly" approach will undoubtedly attract criticism. But the accountancy bodies will argue that the costs of any heavier regulation would far outweigh

According to the proposals, regular monitoring will be reserved only for those firms which audit listed companies, of which there are thought to be some 250 in the UK, with some 85 per cent of all listed companies audited by the top 20 firms. This tier of 250 firms will be visited by inspectors from the professional accounlisted companies - perhaps 9,750 of the total - will not be ispected on any regular ba A pool of 150 firms will be iden-tified each year, of which a handful will receive visits from

the inspectors.

The monitoring requirements are less strenuous than those imposed by the Financial Services Act on accountancy business. Those firms looking after client money are visited every two years, while those handling other types of invest-ment business are visited every five years.

According to Mr Bruce Pick-ing, director of Practice Regu-lation at the ICAEW, the reason for the brevity of the rule-book is that it will contain

tancy bodies once every five years, it is intended. It is inte already compulsory for char-tered accountants but will now be given statutory backing.

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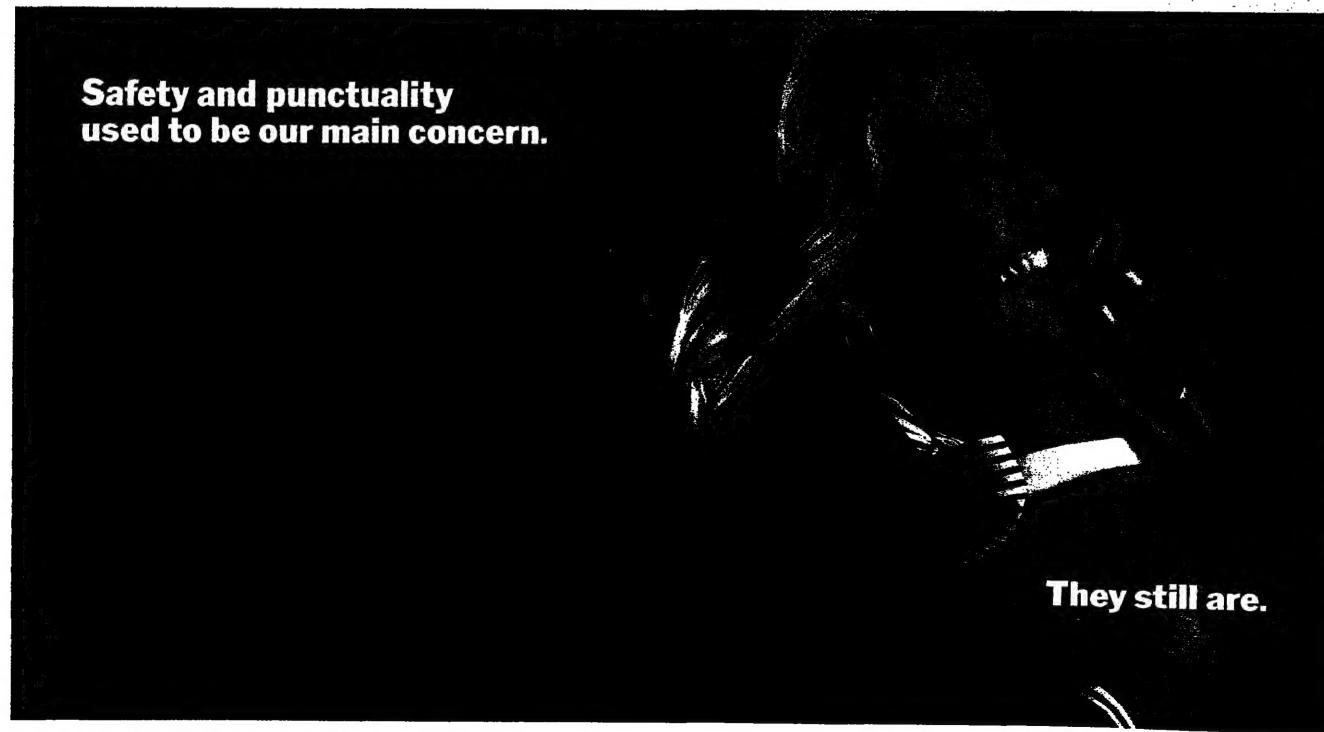
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The UK's three chartered accountancy bodies have 20 full-time inspectors monitoring firms for compliance with the FSA; it is estimated that another 20 will be recruited to monitor compliance with the Companies Act 1989.

The move towards monitoring represent a sea-change for the UK's professional accoun-tancy bodies which for more than a century have main-tained a strictly reactive firms. Up until new, the profes-sional bodies have only responded to complaints about audit firms but not monitored



Safety is as essential for an airline as the trust between two people who want to share their life together. It comes first.

A close second comes punctuality. We know you depend on our departing and landing when we've said we will.

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Which doesn't alter the very basis of our existence. Our priorities remain safety, punctuality and service. In that order.



end of 1991 By David Thomas, Resources Editor

By Peter Marsh. **Economics Staff**

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LEADING economists believe DK inflation will be cut to half its present level by the end of next year, according to a sum-maxy of independent economic forecasts compiled by the

Treasury.

Despite this relatively upbeat view of inflation trends, the economists are generally less confident about the likely state of the UK economy in 1991 than they were a mouth ago. ...

The summary provides average assessments of a range of economic indicators in 1990 and 1991, based on published predictions from 24 finance groups and economic research

it says inflation will be run-It says inflation will be running at an annual rate of 5.3 per cent by the last three months of 1991. The current rate is 10.6 per cent. In August, the same group of economists put the likely level of inflation in the final quarter of next year at 4.8 per cent.

The suppress of the force. The summary of the fore-casts also projects that 1.82m people will be out of work by the last three months of 1891. This is roughly 200,000 more than the numbers of unem-ployed people today and is 40,000 more than the figure predicted by the economists a

predicted by the economists a month ago. • Growth of staff numbers in the computing services indus-try, a key indicator of activity

in British industry as a whole, has been in decline for the past 18 months and has now almost come to a standatill, according to the Computer Services Association. Senior executives in the sec tor's leading companies say they have never known the industry so gloomy about the future and have no hesitation in using the word recession to describe the situation.

For the second quarter of this year, growth was a mere 0.4 per cent. The CSA said it was virtually certain that growth would be zero or nega-tive for the third period, reflecting a trend among large companies to defer capital expenditure on new pro-ing services. nditure on new projects.

Economists State electric group plans say inflation to halve by revival of nuclear industry

THREE options for the revival of the UK nuclear power industry in the second half of the fied three options which it is of the UK nuclear power indus-try in the second half of the 1990s are being prepared for the government by Nuclear Electric, the state-owned

Electric, the state-owned nuclear power company in England and Wales.

Beactor designs new to the UK would be imported from France, the US or Japan under two of the options being drawn up. Nuclear Electric also wants the government to introduce a form of environmental allowance, which would credit it for not producing carbon dioxide. not producing carbon dioxide,

the main greenhouse gas.
This allowance, akin to a negative polintion tex, would replace the existing levy on electricity bills which subsidises nuclear power, due to expire in 1998.

The government is planning to review the future of nuclear power in 1994, the completion date for the Sizewell pressurised water reactor station under construction in Suffolk,

Executive

By Simon Holberton

consultants P-E Incubon.

cash payments for managing

directors and other directors

has led to a reduction in the

The rise in Britain's inflation rate has meant that this year's

increase in executive pay is covered 1.26 times compared with 1.41 times over a year ago.

with 121 times over a year agu-the average salary of enecu-tives in Britain was £32,646. Comparisons with previous years are not meaningful because of changes in the sam-ple, P.E. Incubon said.

It said bonuses for execu

tives this year were signifi-cantly lower than a year ago.

pay rises at

12% a year

ikely to put to the review:

A fast option would be to use the Sizewell design with only minimum modifications to build a new power station at Hinkley Point in Somerset. Planning consent for Hinkley was granted last month;

• A medium-term option would be to use the latest French, US or Japanese reactor designs for future nuclear stations. The company believes this could allow bigger stations to be built which would generate cheaper electricity. For example, a French design could be used for a 1,400MW station, rather than the 1,200MW station presently cut the projected price of electricity from a new station from 4p a unit (kilowatt/hour) to 3.5p. This option, however,

which could delay the project, A longer-term option would be to import the inherently safe" reactors being developed overseas, mainly in the US. While this could answer some concerns about nuclear power, it would delay a resumption of the programme until into the next century.

The nuclear levy is currently

set at 10.6 per cent of electricity bills and Nuclear Electric believes the industry will require support after 1998, when the levy is due to cod. It is working on proposals for an environmental credit to recognise nuclear's role in combating global warming. A credit set at 28 a tonne of car-bon dioxide saved, for example, would help nuclear's competitiveness with coal by 0.80 a

Nuclear Electric believes it should also be credited for its role in maintaining diversity of fuel supply, perhaps at the level of 0.2p a unit.

Retail climate sends Sears profits falling

SEARS, the clothing and footwear group, yesterday unveiled a 32 per cent fall in THE BASIC pay of British executives in the private and public sector rose by 123 per cent in the year to the end of July, according to a survey by pre-tax profits as a result of a downturn in trading conditions, a sharp increase in costs and the disruption caused by the restructuring of the British But the survey, the largest in the UK, shows that inflation has hit top earners' real pay rises. Lower bonuses and other Shoe Corporation.

The company also amounced that it was to wind down its householding activities over the next three years and expects to realise about \$100m in the process — in line with book value.

"We shall concentrate on our strengths in retailing and home shopping," Mr Michael Pickerd, chief executive, said. Mr Geoffrey Maifland Smith, chairman, warned that it was still a time of great uncertainty and urged caution regarding any expectation of an early upturn in trading. Non-food retailers currently faced cost inflation running at twice the level of product inflation, he said, as prices had increased by

about 5 per cent while costs fuelled by rate, rent and wage rises, had risen 10 per cent. Sears' results were badly received in the City of London and the shares slipped 4p to

Despite the tough trading conditions, operating profits from Sears' retailing activities would have edged marginally ahead had it not been for a £14.4m fall in the contribution from British Shoe Corporation.

BSC, which includes the
Freeman Hardy Willis. Saxone Freeman Hardy Willis, Saxone and Dokcis chains, is undergoing a substantial restructuring programme involving the closure of 200 outlets. The upheaval is expected to continuously well in the property of the continuously in the tinue well into next year.

In the six months to July 31, taxable profits fell from £91.7m to £62.4m on sales 5 per cent ahead at £1.08bn (£981m). The interest charge rose to £11.7m (£3.9m) but tax payments were held to £16.5m (£28.4m). Lex, Page 16

BRITAIN IN



Plasterboard monopoly is ended

The near-complete monopoly of the UK plasterboard market by BPB industries and British Gypsum, its plasterboard manufacturing subsidiary, has ended, according to report published by the Monopolies and Mergers Commission. BPB and British Gypsum are now to be released from andertakings given to the sovernment. ings given to the government in 1976.

Mr Peter Lilley, trade and industry secretary, said his decision to release BPB from these obligations was based on the MMC's finding that the market for plasterboard had been transformed by the advent in 1989 of two major competitors, Redland Plaster-board and Knauf UK, a West

German subsidiary.
According to the MMC, there is now "vigorous price competition" which can be expected to continue at least while the substantial overcapacity in the industry persists. industry persists.

Ronson appeal turned down



by Mr Justice Henry, the Guinness trial judge. He dismissed Mr Ronson's contention that the fine was

year and fined £5m for his part in the illegal Guinness share

support operation, had an

application for leave to appeal against his fine turned down

excessive and that the nine months he had been given in which to pay was too short. "I reject totally that 25m represents a very substantial part of Mr Ronson's assets," the judge said. Mr Ronson also claimed that the fine was wrong in principle because it had been scaled to the means of the offender rather than the grav-ity of the offences.

Bank reserves down sharply

Heavy Bank of England intervention to support sterling led to a sharp fall last month in Britain's gold and foreign currency reserves. Treasury figures indicate. The underlying level of the reserves fell by \$344m, the higgest monthly draw since March.

drop since March.

The figure was more than The figure was more than twice that expected by many City of London economists and indicated the size of the official effort last month to stop sterling from dropping. This had fallen largely because of concern in financial markets that Britain was unlikely soon to enter the European Exchange Rate Mechanism.

Directors show their confidence

A substantial number of UK company directors have been buying shares in their own firms, in a display of confi-dence in the corporate sector's ability to recover from the current economic downturn.

In September, the number of directors who bought shares in their own companies exceeded the number who sold shares almost fourfold, according to Directus, the Edinburgh-based firm which monitors such

may be over

The housing market slump may have reached rock bottom, according to a survey of property experts published by National Westminster Bank. They believe the decline in the

mber of buyers had halted and house prices had stopped

falling.
The residential property market remains depressed, but the survey suggests that this situation has stabilised and is not becoming worse," NatWest

Property valuers throughout England were questioned for the quarterly survey, which showed house sales picked up in the last three months. "Nev-ertheless, there is still an imbalance between demand and supply," NatWest said.

Call for runway in south-east

Sir Christopher Tugendhat, chairman of the Civil Aviation Authority, has said that plan-ning should start immediately for a new runway in the south-east of England. He warned that, although regional air-ports will continue to grow at a faster rate than Heathrow, Gatwick and Stansted, they will be unable to take up the strain from airports in the

oun-east. Sir Christopher said the new runway would be needed in the early years of the next century and argued that British airlines and the national economy would suffer if adequate capacity was not provided.

Setback for Ulster dialogue

The government's nine-month search for political progress in Northern Ireland received a setback when unionist and nationalist politicians ques-tioned the merit of the current bid to start formal inter-party

negotiations.

Unionists reacted angrily to comments by Mr Seamus Mallon, deputy leader of the nationalist Socialist Democratic and Labour Party, that if Mr Peter Brooke, the Northern Ireland secretary, could not find sufficient agreement for talks, he should "tear up" the various party documents "start with a clean slate".

Housing slump Changes to TV superficial

Government attempts to reform British broadcasting have turned into a near-cha-rade with the potential for change blocked by the British art of compromise, a leading

Gyngell: reforms a charade ITV executive has said.

Mr Bruce Gyngell, managing director of breakfast television company TV-am, said that at the end of a long and costly legislative process the UK commercial television system was "going to finish up exactly the same as before."
Just as much change could have been achieved by leaving the current franchising process in place and implement-ing just one of the planned government polices — making the commercial ITV companies liable to takeover, Mr Gyngell

The controversial managing director who sacked more than 220 workers during an industrial dispute two years ago, said that he was "terribly dis-appointed that an opportunity for really making some deep-seated, meaningful change has been lost".

Industry to link up with schools

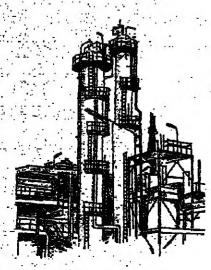
A group of 19 UK corporations has announced the formation of the Foundation for Business Education Partnerships, an organisation that is intended to promote closer ties between education and the business community.

Mr lain Vallance, chairman of British Telecom and chair-man of the FEBP board, said the group had arisen out of growing concern in industry that education is failing to provide young people with the necessary skills for the work-place. "We have not invested enough in our workforce," Mr Vallance said.

Mr Vallance cited a poll commissioned by FEBP showing that only 17 per cent of busi-nesses had any links with local primary schools, while 53 per cent have some link with secondary schools and colleges of further education.



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duction, Neste is a partner in a number of international joint ventures. One of these, in Saudi-Arabia, is already in operation, while new plants are soon to come on stream in Malaysia and Canada. Neste is currently one of the world's leading producers of MTBE.

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ed in various international oil explo-

ration and production projects, and is one of the world's leading oil traders. Neste Chemicals produces an ex-

tensive range of thermoplastics, petrochemicals and resins. Neste Chemicals is now one of Europe's leading producers of polyethylene and polypropylene, and among the top ten suppliers worldwide.

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FINANCIAL TIMES

UK NEWS

Telephone duopoly on the line

Hugo Dixon on Oftel's plans to reduce the cost of international calls

THERE are two principal ways of forcing a monopolist to bring its down in line with costs. The first is to order it to do so,

Sir Bryan Carsberg, director general of the Office of Tele-communications - the industry watchdog - has chosen to use both methods in an attempt to force British Telecom to cut the prices of inter-

national calls. Earfler this week, he amounced plans to cap BT's international charges and allow more companies to com-pete against BT and Mercury Communications, its only mainstream rival to provide international services.
Oftel's action follows the rev

elation earlier this year by the Financial Times that customers worldwhile are being over-charged by more than \$10bn a year as a result of cartel prac-

Although Britain has lower international charges than many other countries, BT makes handsome profits from the business. An internal document above that in 1987/88 it had a profit margin of 60 per cent from international calls. Sir Bryan said that since then, BT's return on investment from international calls had risen sharply and that its prices should come down to an economically preferable

One possibility is that BT would be required to make a one-off reduction in interna-

tional prices early next year.
After that, a formula would come into effect forcing it to make annual price reductions.
Offici's idea is to put in place a price cap similar to the RPI-X formula used to regulate most of BT's domestic charges. It seems likely that a higher value for X would be chosen than the 45 per cent used on

than the 4.5 per cent need on



Sir Bryan Carsberg: plans approach is to allow new competitors to lease capacity in bulk from BT and Mercury and then retail it to customers. Oftel does not have the author-ity to do this but has advised the Department of Trade and Industry to make the necessary

changes in the regulations.
Legalising "resale" would be
a quick way of introducing competition because new com-penies would not need to build their own networks. It is possiallowed to build their own international networks as part of the government's review of the BT/Mercury duspoly which

starts next month.
Oftel has advised that resale should only be allowed on those routes where the counterpart country also allows if, in order to prevent foreign monopoly phone companies from taking unfair advantage of the UK's open markets.

Sir Bryan said that resellers would only be allowed to provide calls to the US, New Zeaiznd and possibly Canada, Japan and Sweden. These countries are the destination for about a third of Britain's international calls

Because calls are expensive but bulk capacity is cheap, there is considerable scope for resellers to undercut the BN Mercury diopoly. A report by the London-based International Institute of Communications has calculated that resellers would pay BT the equivalent of 5 cents a minute for a circuit between the UK and the US, compared with the current swerage rate of \$1 a minute. SCN, a Connecticut com-pany, said yesterday it would be ready to offer international calls to the US at 73 cents a minute within seven days of the regulations being changed and that further price cuts

In order to prevent BT driv-ing resellers out of the market by raising its prices for bulk capacity, Oftel is planning to

ble that rivals will also be international leased circuits. It is not clear how BT and Mercury will react to the pros-pect of more competition. They could keep prices high with the aim of enjoying the current profit margins for as long as possible. The more aggressive option would be to pre-empt competition by cutting prices in the near future. This would in the rest that a short-term molitability, but BT might cal-culate that it would thereby maintain its market share.

Cheaper phone calls could make the UK a more attractive centre for multinational companies to base themselves and thereby further BT's ambitions of becoming one of the world's leading phone companies. The issues are the same for

Mercury except that it is even more dependent on international traffic than BT — earning about 69 per cent of its revenue, and an even larger proportion of its profits, from this part of the business.

Offet's action alone will not be the profit of the business.

bring an end to the interna-tional phone cartel - phone charges are kept high by a series of bilateral and multilat-eral agreements which the UK cannot alter on its own.

cannot after on its own.

However, Offiel is not acting
alone. Two months ago the US
Federal Communications Commission announced proposals to cut the price of outgoing international calls by half within three years. And the European Commission is expected to conclude an inves-

Nissan attacked by distributor over pricing

By Kevin Done, Motor Industry Correspondent in Paris

NISSAN MOTOR, Japan's second largest car maker, was accused yesterday by Nissan UK, the privately owned company which holds the exclusive franchise to import and distribute the vehicles in the UK, of

acting "unfairly" against the British consumer. In a statement which intensifles the simmering conflict between the two companies, Nissan UK, which is controlled by Mr Octav Botnar, claimed that the British construct was that the British consumer was "effectively having to subsid-ise" the price of UK-built Nissan cars sold in West Ger-many, the Netherlands and

Belgium.
Nissan UK has fought a campaign against the Japanese car maker all year to try to reduce the price at which it has to buy

the Primers, the car which was launched on the UK market at Motor Show and which is built at Nissan's 2640m UK car plant Sunderland in north-east

England.

The dispute between the two companies had already threstened to jeopardise the British launch of the Primera, until Nissan UK finally agreed at the and placed its initial order for cars with the Sunderland

Originally Nissan Motor had planned to sell close to 50 per cent or up to 50,000 of the Sun-derland output of more than 100,000 Primeras a year in the UK market, but the disputs with its UK distributor is forcing it to sell more of the pro-duction abroad.

Nissan UK said yesterday that it had been asked to sell a imum of 35,000 Primatas in the British market in 1991.
It exid it could achieve this target, but claimed that it could sell an even greater number if Nissan Motor would cause to discriminate against British consumers and would lower its prices to levels it was charging in some other Euro-

pean countries. Nissan UK said it "could sell even more if the Primers were priced at the same level against its direct competitors (Vauxhall Cavalier) as in Germany or the Netherlands, where the Primera is offered at a lower retail price than the equivalent model of Opel Vectra (Vauxhall Cavalier) and with \$600 worth of extra equipment in the price at no extra

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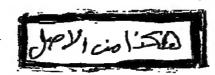
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oseph Juran, the 86-year-old patriarch of the quality movement, is rare among manage-

Not only is he modest about his contribution to the post-Second World War quality movement in manufacturing, but he does not believe he has a monopoly on wisdom con-cerning the introduction of

cerning the introduction of systems to improve quality. His great age has also not diminished his capacity for radical thought. He envisages the company of the future as one where production occurs among a group of self-supervising workers capable of achieving high standards of quality while determining work organization for them elved.

Juran was in London last week, on a tour billed as his last European visit, to talk at a two-day conference organised

two-day conference organised by David Hutchins Associates, a consultancy licensed to mar-ket his method in the UK. He held an audience of about 150 quality managers enthralled with his reminiscences, advice, and thoughts on the future of the corporation.

Juran's life spans most, if not all, of the modern manager's search for quality in manufacturing. From his early days at Western Electric, the then manufacturing arm of the Bell System in the US which he joined in 1924, to his proselytising the cause of quality to the Japanese soon after the the Japanese soon after the Second World War, to his more recent work with Motorola and Kerox, Juran has been a semi-nal figure. His only peers in the field of quality are W Edwards Deming and Armand

Feigenbaum.

His major contribution to the understanding of quality in manufacturing is a method he devised for determining the cost of quality by separating the avoidable from the unavoidable costs of quality. This gave managers a yard-stick by which they could measure and assess actions to improve quality. improve quality.

improve quality.

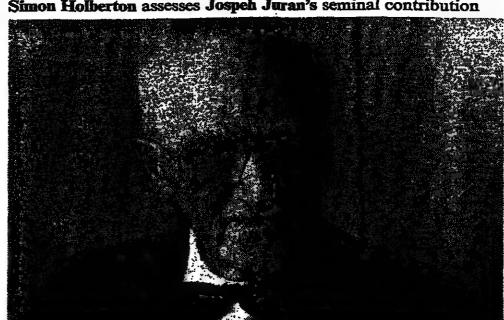
In an interview after the lecture, Juran highlighted two definitions of quality. The first is "quality in the sense of product features" (leather compared with cloth seats in a car); the second he defines as "freedom from trouble", controlling the manufacturing and trolling the manufacturing and distribution processes so that less wasts is produced. This latter definition is the most important in the production of goods and services.

No less a contribution has been his conviction that with-out senior management's com-mitment any attempt to

In pursuit of quality

Prophet with converts in a far-off land

Simon Holberton assesses Jospeh Juran's seminal contribution



Joseph Juren: To capture top management's interest "pray for things to get worse"

ing is bound to fail. As he told the conference: "The question I was most frequently asked by

was most frequently asked by middle managers was: How can I get upper management interested in quality? I gave them a piece of cynical advice: Pray for things to get worse."

An electrical engineer with a PhD in jurisprudence, Juran's formative years with Western Electric involved working at its Hawthorn plant in Minnesota, which employed 40,000 workers, more than 5,000 of whom were located in the factory's inspection department.

whom were located in the factory's inspection department.
Juran worked in that inspection department and that was
where he met some of the early
practitioners of quality control
such as Harold Dodge and W A
Shewhart, who developed qualtity control practices based on
statistical processes. It is a
sweet irony that while he
learned the elements of statistical quality control at Western
Electric he has spent most of
his professional life advising
clients to close down inspecclients to close down inspec-tion departments, one of the many egregious consequences of following the theories of the

father of scientific manage-

father of scientific management, Frederick Taylor.

Juran believes that while Taylor's methods — principally the division of labour which gave an enormous boost to productivity — made the US a mighty manufacturing nation, they were injurious to human relations and to quality.

"Bear in mind the way organisations were structured in those days," he says. "The concept was that the products were designed by the design engineers, the production department made the things and the inspection department separated the good from the bad.

"[Quality] couldn't penetrate something that was so trigorously and vertically organised. It took forces from the outside, like this fantastic Japanese competition, to force people to look at what they were doing

like this fantastic Japanese competition, to force people to look at what they were doing and to realise that our method doesn't get quality that's competitive with these Japanese. They have been forced to reexamine their structures and of course some of them are changing."

the publication in 1951 of his book "Quality Control Hand-book", the first of its kind. The Japanese – who, in that year, established the Deming Prize for excellence in quality – were quick to take note and in 1953 he was invited to Tokyo to give a series of lectures expounding the themes in that

This visit laid the founda-tions of a lasting relationship. The Japanese first attempted to recognise their debt to him publicly in the late 1960s when they asked if he would lend his name to another national qual-ity prize. He demurred. But it was finally acknowledged in the early 1980s with the award of the Order of the Sacred Treasure, second class — the highest honour the Japanese award to foreigners.

highest honour the Japanese award to foreigners.

What happened in Japan immediately after the Second World War is, to Juran, without precedent. He is adament that while the Japanese used inputs from foreign countries, they did not come the West, let they did not copy the West, let alone the Juran method. "In Japan the upper managers took charge of quality," he says. "Why? When you can't sell your products then that signal goes right to the top. They undertook to be trained for the management of quality. That took a decade, enumous cost and effort but it made them the best in the world as far as the management of quality was concerned. Then they went about getting the work-force involved in quality and expensive operation, especially when recession to lose altogether took the 1960s. The methodology they developed was in lurking around the corner.

that took the 1960s. The methodology they developed was
quality circles and they proved
surprisingly successful."

Juran is sceptical about the
simple introduction of quality
circles into western companies
as a method of achieving quality. He says Japanese managers and researchers estimate ity. He says Japanese managers and researchers estimate that QCs have been responsible for less than 10 per cent of Japan's aggregate improvement in quality. "But there is a plus in these QCs and that is the effect they have on human relations," he says. "That is more important than their effect on quality. You reduce the adversary relationship, you get a spirit of teamwork and that is a very useful process."

Looking to the future, Juran believes that companies will enshrine quality goals in their

enshrine quality goals in their business plans, much as they do with financial goals such as targets for sales, profits, return on capital and earnings per

This will require radical changes to the way work is planned and executed and in this context he talks a lot about the empowerment of the workforce, of making work more than just a "tenancy of

Juran cites the example of Texas instruments in Malsysis. There the manufacture of large-scale integrated circuits is done by self-supervising teams of workers. The supervisory staff has been cut by 30 per cent and their responsibilities transferred to the workforce is trained to perform multiple operations," he says. "They decide who is going to perform which operation, they requisition materials, and they maintain the equipment they use."

One reason why it has taken US companies so long to learn the lessons of quality in manufacturing is that senior management has yet to take charge of quality and understand it. "They can't delegate quality," he says. "Semior managers have to define the goals, specify the deeds that have to be done and who is responsible for them and then through Juran cites the example of done and who is responsible for them, and then, through the reward system, they have to measure if it is being done."

A search to the end

Paul Betts explains Securicor's new name for its parcels division

hrand name is a risky and expensive operation, especially when recession is lurking around the corner. But Securicor, the UK security

But Securior, the UK security cash-carrying group, has decided to go shead today with a 25m plan to change the identity of its overnight express parcels husiness.

The change, according to John Bintliff, the sales and marketing director of Securicar's express parcels division, reflects an evolution in the marketing approach of the company in preparation for further expansion in both the UK and European markets.

The division, with an annual turnever of 2200m this year and employing about 7,000 people in the UK, has operated under the Securicor Express-Parcels logo since it was set up

Handling 1.5m parcels every week, it claims now to be the largest independent overnight percel and freight operator in the UK with nearly 11 per cent of the domestic market.

Its main, and larger, competitor is the Post Office which recently also revammed its

recently also revamped its express parcel business, in the process renaming it Parcel

decline in real terms by some 2 per cent a year, Bintliff acknowledges that, having achieved vigorous growth during the past few years, Securlor is having to look overseas for long-term expansion.

"At present our business is 85.90 per cent based in the UK

"At present our business is \$5.90 per cent based in the UK and Ireland. We want to expand globally over time but we are initially targeting [continental] Europe, and especially countries like France and Germany," he explains. "We decided to change our name because we wanted to see ourselves as an international brand, not just a niche player in the UK market," he adds.

After considering 409 possi-

adds.
After considering 400 possible names and narrowing the list down to eight, the company finally opted for Securicor Omega Express because it felt the Greek letter was internationally well known and would help the company to improve its image overseas.

The company did not want

hanging a well-known brand name is a risky and expensive operation, especially when recession urking around the corner. Securicor, the UK security b-carrying group, has ded to go shead today with m plan to change the idenof its overnight express sis business. Security to the express particular time.

and gans with the express parcel operation," explains Rintiliff.

The revenaged parcels division is especially keen to
strengthen itself in Europe
ahead of the 1982 single market and to fend off the growing
challeng from large its
astralian counting parcels
groups like Federal Express,
United Parcels and TRT.

The cost of the name-change
will amount to about fine over
the next five years and will
incinde the repainting of the
company's fleet of 3,500 was.
Unlike some of its main
international competitors with
aircraft fleets of their own, the
Securicor operation decided to
sell its aircraft and rely
instead on parinerships with
atrines, including Ast Lingua,
British Airways, and Lufthansa using their freight
capacity at night for its overnight parcels business.

"It's pointless using air
where road can provide an
effective services. There must
be a featiled speed atvantato use air," Bintlint argues.

The company is also linking
its name change with an
investment programme to
boost the technological base of

investment programme to boost the technological base of

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vice.
It invested 225m three years ago on a computer system and is spending £16m on new operating terminals and vehicles this year. Bintiiff says there are plans to invest a further £46m in the company's UK infrastructure over the next five years.

He concedes that the recession is coming in the IRK and

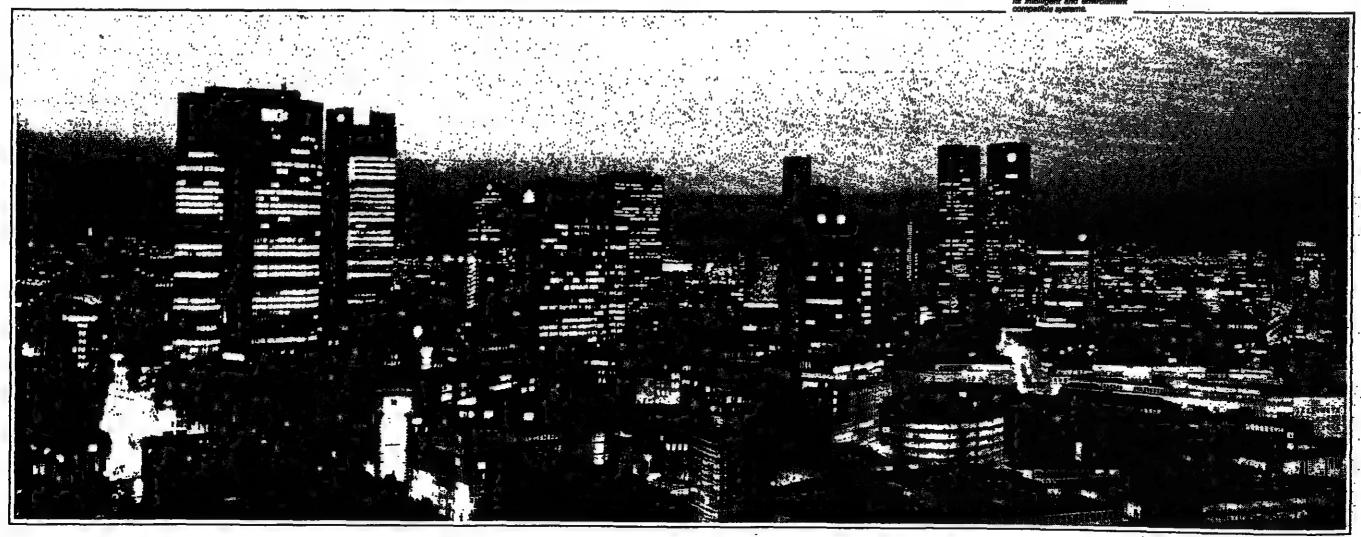
the concedes that the recession is coming in the UK and the company sees no growth in the domestic basiness. Indeed, it expects a continuing slow dealing.

decline,

But the market in the large,

EC economies is still expending — in Germany, for example, it is currently growing by
between 4-8 per cent a year —
and offers longer-term growth

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The Fairy | TELEVISION

DAY OCTOBRIS

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AR ARRIVE He concedes the ba

One of the priorities when it comes to the Purcell tereintenary, in 1995, must be the establishment in performance of a proper context for the finest of his dramatic music. Various more or less successful, attempts were made in the 1970s, in made in the 1970s, in Rdinburgh, Norwich and Camden, to stage The Fairy Queen, King Arthur and The Indian Queen. But we still go on listening to this music as if it were an abstract selection of colourful pieces when in fact it has a dramatic function that lends it far greater purpose and meaning. The popular fiction that the plays to which the music originally belonged are not viable is overdue for retesting in our changing world.

changing world.

The music, of course, stunds up well enough to isolated performance to encourage complicency; andiences may be fargiven for imagining, on the strength of an evening as insplitting as Monday's at the Queen Elizabeth Hall, that they know all they need to about The Fuiry Queen. But to hear the true balance of speech and music, or to winess slumber overtaking Thiania during the Sieep Masone, would give it a death Masque, would give it a depth to which a concert performance cannot aspire. The version by Harry Christophers' The Sixteen included virtually all the

music, done with style and a good deal of vivacity. Mr Christopher's is an alert, tant confuctor, who tends to keep a from controlling hand, sometimes so firm as to anchor Purcell's wayward rhythms a little too rigidly to the first beat of each bar, some of the dances were apt to slip into a mincing gait, and it was only with the more expansive music of the concluding scenes that he seemed ready to give it its head and allow Purcell his.

head and allow Furcell ms.
true bredith.
He had a generally tidy little
orchestra, based on a dozen
strings, using period
instruments; the songs,
properly without double
hasses, has a pleasant airlness.
The trumpets did not always
blow true but there was some
sharely, dulect playing from shapely, dulcet playing from the leading strings in their accurpanying of the solos. The three sopranos offered on sitractive contrast in style an airractive contrast in style within the Purcellian idland, Lorna Anderson salled lightly through "Sing While We Trip it" and "Hark! the echoing air" a singer with a natural feeling for the shape of these lines and how to point it up. Gillian Fisher proved her usual dependable self, almost artless in the song on the entrance of Night, duly direct in "When I have often beard young maids", and once or iwice a shade pallid. There there was Arm Murray, less conscientions a stylist perhap conscientions a stylist perhap but with a winning command of shape and timing, for example in her witty "Caich and Repeat", in Mystery's Song, or in her fine drawn accounts of the Plaint, done be loosely showly. Then there was Michael Chance in exquisite voice.

Then there was Mchael
Chance in exquisite voice,
flirting outrageously with the
sterling bliched George in
the Coridon-Mopes ducts. The
chorus, 18-strong, seemed
initially a little careful, but
they flourished in the
contrapuntal numbers and
found their best, sturdiest
voice for the D major voice for the D major celebratory music in the Act IV masque on Oberon's

Stanley Sadie | The play opens in Philocostas' tenth

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Queen It's the quality that counts

ithough this television column has been one of the most persistent advocates of multi-channel television, said a letter in the FT's correspondence column on Monday, last week's article "caught a boat of nostalgia virus from ITV heroes at the Prix Italia whose incumbencies are threatened". What that article did was to note the unparalleled success of ITV at the world's most highly regarded programme festival and juxtapose it with the British Government's plan to take the FTV network to pieces and auction the bits to the highest bidders.

What this column has actually argued for years is that it is in the best interests of view-ers to get politicisms and broadcasters to use the new technologies to increase diver-sity in broadcasting without smashing up the peculiarly successful and popular BBC/ ITV system. What we, the viewers, should be calling for viewers, should be calling for is the preservation of Britain's unusually impressive television baby and the addition of fresh bathwater, whether in the form of direct satellite signals from Mr Murdoch, cables from under the pavement, or beel charmed on the old alternation. local channels on the old ultra

high frequencies. In order to allow the new boys with their new toys to bave a go at competing for the sudience there is no need to pull FTV to pieces: to do so is senseless when FTV is one of senseless when ITV is one of the rare examples of a British industry which is often seen internationally as setting a quality benchmark for the world. That said, the other con-cern expressed repeatedly in this column has been that in the movement towards greater diversity (or at least plurality) "our" sort of television — doe-um entaries, serious drama. umentaries, serious drama, intelligent current affairs,

intelligent current affairs, opera, ballet and so on — should be preserved and, one hopes, even expanded.

If the broadcasters — existing as well as new — can be persuaded to maintain the proportion of "our" sort of maintain at around 10 per cent, then as the total output rises the quantity of "our" sort of material will grow and grow — even if it does become increasingly difficult to find. difficult to find.

And what, so far, does the

evidence suggest? Articles here earlier in the summer considering the output of the Astra and BSB satellites pointed out that each has added something new and valuable to our sort of television. We have never had any-thing to compare with the Sky News channel on Astra; even if News channel on Astra; even if Sunday night's "Screen One" production on EBC1, Can You

the television news services.) As for BSB, it provides an almost embarrassingly rich diet of arts programmes -

operas, concerts, interviews, ballet — every weekend.
Our greatest concern, however, should be for the old terrestrial networks — HBC1 and 2, ITV and Channel 4 — because we know they are because we know they are capable of supplying our sort of television. The danger is that in the hattle against the newcomers to maintain signifi-cant audience shares they will begin to reduce instead of increase our sort of pro-

grammes. is that now happening? Since the identification of "our" programmes is so subjective it is difficult to be sure, but my impression, during the first week back in Heliain after a four week break, is that while there may be grounds for concern about Channel 4, the others are holding up very well. What follows is, of neces-sity, a series of first impres-sions — we shall no doubt have to return to some series in more detail later - but there are already hints that we may be in for an outstanding

BBC2's Portrait Of A Morriage may well be seen one day, maybe not so very far away either, as a classic piece of work. Because television employs pictures, real women

– Janet McTeer and Cathryn

Harrison – are seen in bed together, re-enacting the affair between Vita Sackville-West and Violet Keppel which was described in Nigel Nicolson's book about his parents, dra-matised here by Penelope Mortimer. Such scenes occupy only a small fraction of the production but, this being Britain, it is that fraction — real women, really touching one another's bodies! — which attracts all the comment and the familiar Anglo Saxon embarrassment

where anything passionately sexual is concerned. It is superbly well acted, set in gorgeous locations, and beautifully lit and photographed. Moreover it has so far told the startling story of a loving (and seemingly successful) marriage which had homosernal affairs on both sides with admirable sensitivity and, most impressive of all, in such a way that it seems not the least bit unlikely. Sunday night's "Screen One"

where anything passionately

that of Channel 4 News or Newsnight it is there, 24 hours a day, and doing a remarkably proficient job. (In houses capable of receiving Sky their news channel was recently voted least politically biased of all less successful piece of drama, the tolerision news arrives. despite - or perhaps because of - being desperately well intended. Where Portrait Of A Marriage is a true story with all the strengths of fiction, Can You Hear Me Thinking was a fiction weighed down by a determination to represent the facts of schizophrenia as experienced by so many parents. Yet it was still moving and sad and, again, agonisingly well

> The second episode of Jona-than Miller's BBC2 series Born Tulking made me wish I had seen the first: it is the kind of series that precious few broad casting organisations in the world would attempt. Miller is endeavouring to explain the way in which our brains process language and last week he used signing by the deaf and the breakdown in language ability among stroke victims as illustrations. With many peo-ple this would have seemed like exploitation but not with Miller, thanks to his enthusi-asm and possibly to the view-er's knowledge that he trained

on The South Bank Show (ITV) Melvyn Bragg talked to Salman Rushdie in an inter-view which would have seemed even more historically signifi-cant had it not, like all those myriad chat shows, been geared to the publication of a new book. The old explanation that it is the very fact of publication which makes a guest particularly newsworthy is scarcely true in the case of Rushdie. To be fair, however, this programme did cover the ground that one would have hoped and expected, regardless of the new book.

Given the relatively large amount of time that television already devotes to the cinema it is hard to be sure whether BBC2's new series, Moving Pic-ieres, will regularly have anything new to offer. Still, the opening edition established several facts: producer Paul Kerr is actually willing to show films as well as talk about them, and is interested to show as well as factoring as well as factor in shorts as well as features (he showed the award winning abort, Peel). So at least this is not going to be merely another Hollywood star gazing exer-

Tonight comes Episode 1 in BBCI's new 12-part series The Trials Of Life, which opens with one of those splendid set pieces from David Attenborough: he tiptoes among mil-





Janst McTeer in 'Portrait of a Marriage'; and Jonathan Miller in his series 'Born Talking'

lions of scarlet crabs on Christ-mas Island, lecturing urbanely as they pour like armoured as they pour like armoured lammings into the sea to spawn. There is a great deal of spawning, one way and another in this programme which is sub-titled "Arriving": the giant clam seems most prolific, blasting out a thousand million sperm and then, half an hour later (why? Attenborough does not tell us) a thousand million eggs.

We see both events, and it is

We see both events, and it is the ability to show them —
thanks to rapid advances in
natural history filming techniques and the huge increase
in specialists working in the
field — which seems to be the real reason for the series, rather than any belief that Life On Earth and The Living Planet were horribly incom-plets. But whatever the motives, this new series looks like being snother global chart topper thanks to Attenborough and the quality of the pro-

gramme making.
Complacency would be ridiculous; we may yet lose most of this sort of material over the next few years. But gloomy defeation is equally misplaced whose at present there is a since, at present, there is as much, and more, of our sort of television around as there has

Christopher Dunkley

Love Letters

civilised, charming, some laughter, perhaps a few tears or at least a lump in the throat at the end, and not too long here it is. A R Gurney says that Love Letters began as verbal doodlings when he was teaching himself how to use a computer. He put them together and sent them to the New Yorker where they were rejected. Then he discovered that they read well aloud. They are now a play which opened at the Wyndham's theatre on

Monday.

Love Letters is a love story spenning upwards of 40 years. It is heavily WASP white anglo-saxon protestant, though at times it is also waspish: California is virtually equated with Cuba. Boy and girl meet early on at school, and keep in touch on and off ever after, mostly through

Andrew Makepeace Ladd III is played by Robert Wagner, the man with the immaculate good looks. Stefanie Powers, whose attractiveness is alightly less conventional, plays Melissa Gardner. The pair of them sit next to each other throughout, simply reading their letters over the years and making the odd eesture.

No-one else appears, yet by the end Andrew has been through prep school, Yale, the US Navy, a long affair in Japan, is stuck with an all-American marriage, including a grandchild and is a member of the US Senate. Melissa has been around the world as an artist, married and split up and is frequently reduced to a drying-out

At the start Andrew is a compulsive letter-writer. He writes of the pleasure of reciting the last lines of Paradise Lost in the shower and how be misses his dog at school. Thave a picture of him on my bureau. Can I have one

Melissa, being a faster developer and also richer, prefers the telephone, and her Stephanie Powers

If you want a pleasant evening in the London theatre—civilised, charming, some like a friend—you're like a

brother." They make a hash of their first night together in a seedy hotel after the Yale-Harvard game. "It wasn't like that with Greta Lescelles. You can write to her and ask her," Andrew writes afterwards. He knows he can be a bit stuffy. They drift apart, but the letters

always resume One year Andrew makes the mistake of letting one of those all-purpose state of the family Christmas letters be composed by his wife. Melissa is not amused, though it is a splendidly funny piece of

writing.
Towards the end the couple briefly get together. "Did you dream we'd be so good at sex?" Melissa writes afterwards. The Senator remembers his responsibilities, as well as the attentions of the US press, and breaks it

The piece is directed by John Tillinger and I thoroughly

Malcolm Rutherford



Mitsuko Shirai

WIGMORE HALL

The return to London on Monday of Mitsuko Shirai and her husband, the planist Hart-mut Höll, was not greeted by a large audience. After at least a mut Holi, was not greeted by a large audience. After at least a decade of their appearances here, and strange as it may seem to initiates, word has still not got out about the special authority and heauty of Miss Shirai's Lieder-singing, or about the cosmess of her part. nership with Höll, which goes nership with Höll, which goes
far beyond marital intimacy.
Never mind: instead of wringing hands in regret, one should
rather rejoice in the rewards of
so finely-executed a recital,
and hope more people will be
there to share them next time.
The programme was all in
German, and of classical simplicity — Brahms in the first
part, Wolf and Liszt in the second. The performances were all ond. The performances were all delivered without frills, confidence tricks, or salesmanship: Miss Shirai's soprano (which has darkened in timbre alno: I last heard her) is not in itself a ravishingly full-toned, beautiful instrument, but it is capable of being "played" with such consummate musicianship that it seems so. A selection of 11. Brahms songs, delivered with-out break, might look hard going on paper; in the event, the buoyant lyricism of the

Although in earlier days Miss Shiral was schooled by Elisabeth Schwarzkopf, she avoids highlighting detail or avoids rightly detail or colour-application in the same carefully studied manner. In a song such as "Dein blaues Auge", one notices first the rip-pling delicacy of voice and plano in loving combination (even at an unusually slow speed), the delicate airing of phrases with fine-brush portamento, the interlocking of dynamics between voice and instrument, the way one line flows gracefully into the next.

flows gracefully into the next. The deeper insights evolve directly out of the music-making; and Brahms, whose songs can so often sound stodgy or earnest, takes wing.

In the second half Wolf (a group from the Spanish Songbook) and Liszt flourished. The "singing" treatment afforded the half-comic, half-tragic modes and passions of the formodes and passions of the for-mer's "Geh Geliebtert" exquisitely unstrained expression. and found the gentlest, fre-shest nuances in the latter's "Lorelei" (where Miss Shiral opened out her top register with exciting abandon) and "Die drei Zigeuner". Lieder-singing and Lieder-accompaniment of this quality adds up to delight of the rarest kind.

Max Loppert

The Cure at Troy

The annual Field Day première in Derry's Guildhall is always eagerly awaited and seldom disappoints. It is ten years now since it all started, with Brian Friel's Translations setting a formidably high standard for subsequent modulations. This year Derry's most productions. This year Derry's most famous son, Seamus Heaney, makes his debut as a dominatist. Harvard profuseor of rhetoric, Oxford professor of poetry, strongly tipped for the Nobel prize within the next five years, Seamus will not let the side down ... will he?

The Cure at Troy is Heaney's version of Sophocles' Philoctetes. Philoctetes suffered from a festering wound on his

foot. He was abandoned on the island of Lemns by Odysseus, who could no longer stand the stench of the wound and cries of pain. Philoceties was the owner of a boulety eventually convinced the Greeks that Philoceties' bow was needed to ensure their victory over the

year of exile as Odysseus and his helper, Neoptolemus, the youthful son of the hero Achilles, arrive on Lemmos. The loyal soldier Odysseus is trying to persuade the idealistic Neoptolemus to trick Philosoptolemus to trick Philoctetes into handing over his invincible weapon. A female chorus of three comment on the action and taunt the protagonists.
It is undoubtedly Philoctetes' play.

The moral dilemma of Neoptolemus and the pragmatic machinetions of Odys-seus cannot compete with the inherent drama of Philoctetes' existence. Howls and animal like growls of pain precede him onto the stage; he moves from self-pity to outrage, from self-centredness to self-knowledge, inspiring equal amounts of pity and horror. Des McAleer creates a powerfully physical Philoctetes. His cries of anguish are all too believable. His near naked body trembles alternately with pain and with rage. One can almost smell the stench of his festering wound as he drags his heavily bandaged foot behind him.

Sean Rocks' Neoptolemus, in contrast, seems wooden and lifeless and Seamus Moran's Odysseus lacks the commanding presence of a hero. At times only some lively work from the chorus, noticeably Veronica Duffy, keep the drama alive. All too often Neoptolemus and Odysseus suffer from a lack of strong direction — credited jointly to Stephen Rea and Bob Crowley — which leaves them bandying words across the stage like speakers in a debating soci-ety. The stilted effect is furthered by the playwright's tendency to adopt a schoolmasterish tone in some of the more reflective speeches.

Heaney's verse is, as one would expect, supple and self confident, managing, for most of the evening, to com-bine idiomatic phrasing easily with elevated content. The chorus is occasionally given licence to rhyme, a welcome embellishment which contrasis with the stark urgency of the other speeches. Mentions of "police wid-ows" and "hunger strikers" add topicality to a play written specifically, but not exclusively, for the audiences of Northern Ireland. Heaney is too subtle a writer to bela-

bour his audience with the contempo-rary relevance of the issues raised public morality versus private integrity, group loyalty versus individual morality. Instead the relevance of the issues to the political situation in Northern Ireland surfaces in a series of shifting

The all white set by Bob Crowley is a model of economy and simplicity, superbly lit by Roy Dempster and Conleth White. The play runs for an hour and a half without an interval, but only really gathers momentum in the final ten minutes. Heaney has made a cau-tious debut as a dramatist, producing an event that is worthy and well crafted, but less than exhibitating. All to often it seems that the professor is allowed to get the better of the poet.

Alannah Hopkin

ARTS GUIDE

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FINANCIAL TIMES

THEATRE

Jeffrey Bernard is Unwell
(Apollo), James Bolam is the
alcoholic journalist who
enhodes a Faluraffen, ney-aying life force while committing
public suicide by vodka. Keith
Waterhaus has slitched a fine
play, the season's highlight, from
Bernard's own writing, Ned Sherrin directs. (437 2863).
Aspects of Love (Prince of
Wales). Andrew Lloyd Webber's
latest is an intimate chamber latest is an intimate chamber operatia derived from David Garoperatin derived from David Gar-nett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (183 1972). Bura This (Lyric). Blistering performances from John Malkov-ich and Juliet Stevenson in Lan-ford Wilson's play about the mis-match of opposites (437 3686). Singer (Barbican). Anthony Sher in Peter Flannery's modern Jaco-bean tragedy that reflects a darkly comic view of Britain stuce the Second World War.

since the Second World War. 88 8891). hadowlands (Queen's). Weeple about the love affair between crusty Oxford writer C.S. Lewis

and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. (734 1166/439 3849).

Abourd Person Singular (White-hall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. More Radmond. three years. Mohra Redmond. Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119).

Falsettoland (Lucille Lortal). It will be known as the musical about Ada first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a far Mitsvah and his parents, all three of them (924 9782). Gypsy (St James). This 30th anniversary production does more **New York**

Gypsy (St James). This 30th amiversary production does more than revive a rich, vivid musical; it also introduces a new belier in the Marman tradition. Type Daly, as the bossy, tireless and tuneful Rose, who leads her daughter into burkesque. (246

Grand Hotel (Martin Beck).
Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossi in an elegant, but somewhat ran-dom setting (246 0102). Cats (Winter Garden). Still a sellout, Trever Num's production of T.S. Khot's children's poetry set to music is visually startling and choreographically feline (239

Les Misérables (Broadway). The magnificent speciacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway essons in pageantry and drama

(M) 200).
Phantom of the Opera (Majestic).
Stuffed with Marta Bjornson's
gilded sets, Fhantom rocks with
Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Washington

Shogun (Opera House). The \$6m,

Broadway-bound musical by nov-elist James Clavell is bound to be compared with Sondheim's Pucific Overtures in exploring the origins of Western-Japanese contact. Kennedy Centre (467

4500). Playboy of the Western World (Eisenhower). Abbey Theatre Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm of the view of the Irish as unscrupulous charmers. Ends

Chiango

The Iceman Cometh (Goodman).
The Goodman opens its new season with a revival of vintage
O'Neill starring film actor Brian
Dennehy, Ends Nov 4 (443 3800).
Steel Magnolias (Royal George).
Ann Francis and Marcia Rodd Ann Francis and marca root play the leads in this view of southern life from under the dry-ers in a busy hairdressing estab-lishment (388 9000). Tokye Kabuki. Performances at Kabu-

ki-za (541 3131) are at 11am and 4.30pm and consist of mixed programmes made up of short or shortish pieces in a variety of kabuki styles. Excellent earphone guide in English and English language programme.
Takigi Noh (Noh by Firelight).
Outdoor performance of the noh
play, Ataka — the famous story
of the fugitive lord, Yoshitsune, and his wily servant, Benkel, at the Ataka Barrier (Thur). Pre at the Alanka Barcess (Thus, Fre-coded by a Kyoyen conic luter-lude. Hibiya City (275 8094). Cheek by Joul in Hamlet. Lively British fringe company making their Tokyo debut as part of the UK 90 Festival. Tokyo Globe Theatre (360 1151).

GLAA to be axed

In a sudden, surprise, move yesterday the Arts Council announced the demise of the Greater London Arts Association. There could be no better indication of the change in Government policy towards the arts following the arrival of an energetic, no nonsense, new Minister for the Arts, Mr David

oleasures continuous.

A "Sunset" board will be set up to create a new London Arts Board which could be in place by the end of the year. The current chairman of GLAA, Mr Jonathan Brill, will chair the "Sunset" board and he must fancy his chances of staying on to oversee the new organisation. But very few, perhaps only one or two, of the current 15 GLAA board members will survive; the current working staff of 36 will be expected to apply for jobs in the new organisation.

The killing of GLAA is principally inspired by a desire to reassure those hig arts organisations whose funding will be handed over to the London Arts Board as a result of the devolution policy promulgated by the Arts Council last week By April 1992, the main London based orchestras - the RPO, LSO, LPO etc - will be locally funded as will leading theatres like the Royal Court, Hampstead, and Greenwich, and the ICA. All these groups have long believed that GLAA, with its traditional association with community arts funding.

lacks the expertise to deal with large institutions. A new Arts Board, under respected management, may persuade the London based butnationally and internationally famous arts organisations, to give local

funding a try.

In addition David Mellor has a low opinion of GLAA, associating it with financing fringe drama groups, video centres, and community arts initiatives in which the arts are sometimes regarded as a secondary consideration to cultivating the goodwill of activists in the local community. The London Arts Board will still be handing out money to over 700 clients, including cheques for a few hundred pounds to ethnic dance groups, photography-workshops, feminist collectives and the like, but the money will be distributed by personnel selected by board members with Thatcherite principles.

Under the devolution policy the London Arts Board will have a budget of over £16m as against the £9m plus handled by GLAA. Much will depend on the staffing of the new organi-sation. The salary of £30,000 plus for the director is good for an arts job, but may not attract an experienced manager from another field. The current director of GLAA, Mr Trevor Vibert, has a contract expiring in April 1991 although he could re-apply for the job.

Antony Thorncroft

FINANCIAL TIMES

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Wednesday October 3 1990

Germany's third chance

FROM TODAY begins the third chance for a united Germany to become what it must become, for its own sake and that of its neighbours: the central pillar of a stable European order. Bismarck created the first such chance; defeat in the First World War offered the second; and the collapse of Soviet power, along with the success of the Federal Republic itself, has now given rise to the third.

The chance came unexpectedly. Less than a year ago Mr Erich Honecker railed against West German forces, which — he claimed — were plotting against his shabby little despotism. Poor, deluded Honecker, little did he realise that the forces arrayed against his state — the disgust of his own people and the indifference of Mr Mikhail Gorbachev - were not those in front, but those at his back.

The East Germans were responsible for the first peace-ful German revolution for freedom. By their actions the former East Germans have given the newly enlarged Federal Republic the best possible birthday, even though they themselves will not enjoy the cake for some time.

The world at large owes the East Germans more than this. Without them, people could still have argued that the failure of socialism can be explained by the economic backwardness of the peoples who introduced it. But if even East German socialism left little but pollution, poorquality production and low productivity, then the system

The peaceful collapse of East Germany is but one of the reasons why the auspices for this attempt at combining German power with European stability are far more favourable than previous ones. The Federal Republic has well-tried political and economic institutions within which to fit its 16m new citizens. The country is also embedded in two outstandingly successful international arrangements: the European Community and Nato. But both

arrangements will now have to change Memories of the unhappy past, along with the scale of the changes now under way, create anxieties, both within Germany and outside it. But the anxieties, particularly those about a huge Germany dominating an enthralled Europe, are wildly exaggerated. If anything, the immediate danger is the opposite one: of a Germany gazing obsessively at its own navel.

Unlike the old West Germany, the new Germany will be a nation divided. The immediate prospect in the East is progressive economic collapse, with unemployment rising to 2m or more. Western Germany is expected to grow by 4 per cent this year, one percentage point of this being due to the "unification bonus". The immediate fruit of unity is, therefore, to give to those who have and to take away from those who have not even the little that they have.

Political adroitness

West Germans do not seem keen on doing much about this. Partly for this reason, Chancellor Helmut Kohl and Finance Minister Theo Waigel followed the Reagan-Bush strategy of relying on the growth dividend to finance the costs of unity. For all his political adroitness in the past year, Mr Kohl's reticence about the economic costs is likely to cost his united country dear. The new Germany could well be divided between embittered conterners and resentful westerners, both upset by the scale of the very different burdens they will have to bear.

This is not to doubt the capacity of the West Germans to solve the problems of the eastern part of their country. But to the extent that they do succeed in doing so, their presence may make it even more difficult for East Germans to stand on their own feet. To the economic divislowly, should be added psychological difficulties. East Germans feel that they were the unlucky ones; that the past 40 years were wasted for no fault of theirs. Economic distress, combined with resentment and the legacy of 57 years of totalitarianism, may make the fledgeling democ-

racy east of the Elbe fragile.

If Germany is, indeed, to be a regional superpower it will be a troubled one. But this is not the only reason why fears of overweening German self-confidence and a coom-non reaction — that the country must be "bound" more tightly into the European Community — are likely to prove misplaced.

It will take many years before the share of a united Germany in the purchasing power of EC output rises much above 25 per cent. The share of West Germany in EC manufacturing is already greater than this, at about a third. Its manufacturing output is equal to two-thirds of those of France, Italy and the UK combined. In the fulless of time, the addition of East Germany might raise this share to 85 per cent.

German unity will, therefore, mark only a modest change in the already achieved position of West Germany. But that position has presented — and will present — no danger. Except in war, the prosperity of one's neighbour is a benefit, not a threat. The terminology of "domination" is quite inappropriate where voluntary international exchange is concerned.

Doubtful notion

The notion of "domination" is still more doubtful when applied to the D-Mark. If one wishes to gain the benefits of a non-inflationary anchor one has to follow the policies of the central bank that provides it. But this is not domination; it is leadership. Other countries can always refuse to follow that leadership and "enjoy" the freedom to depreciate their currencies.

That the unification of Germany is a blow rather to the

amour propre of other European leaders than to the interests of their countries is just one reason for keeping a sense of proportion about the pace of future development of the EC. But there is a deeper one. If it were, indeed, true that Germany needs to be "bound", then institutional arrangements cannot achieve that end on their own. Germany can only be enduringly "bound" by arrangements that are accepted by its citizens as being in their own

The EC has succeeded because it provided not just the Germans, but all its members, with things they value. Monetary union, too, can be sold to the Germans only by convincing them that it is in their interest. Their doubts are quite understandable. Marriage in haste might well mean repentance at leisure. Progress in the EC must be justified at each stage on its merits, not on the allexed advantages of taming German power.

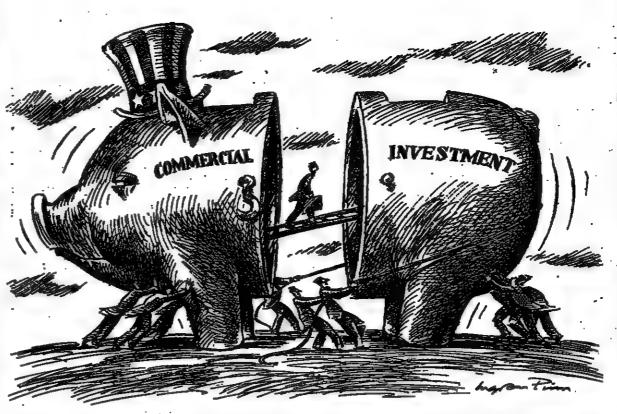
The role to be played by the new Germany will not be an easy one. It will be expected to play a generous part in helping eastern Europe and the Soviet Union, even though what it can provide will be less than the miracle they expect. It will also be called upon to play a more active role in world affairs, even though what a country with its history offers will often fall short of what those with a

happier past deem appropriate.

The country cannot fulfil everyone's expectations, let alone allay everyone's fears. But a prudent, cautious, generous Germany — anchored in the west, while looking to the east — can prove a source of stability in Europe. The task of finding a comfortable European home, however difficult in some respects, is at least vastly easier than for Bismarck's Reich. Third time should be lucky. One must hope so, for the sake of Germany and for the rest of the continent in whose heart it lies.

Banking reform is in the air. Peter Riddell he US banking industry faces the most far-reaching changes for more than 50 years. The wall between comand Nikki Tait report on the US experience mercial and investment banking erected by the Glass-Steagail Act of 1983 has been crumbling for some time, but now a gaping hole has been created by the Federal Reserve's recent decision to allow J.P. Morgan

Moves to shatter Glass-Steagall



restrictions need to be removed. Mr Alan Greenspan, the Fed chairman, has favoured repealing Glass-Steagall because "technology and globalisation have continued to hiur the distinc-tions among credit markets. Outdated constraints endanger the profitability of banking organisations and their

contribution to the US economy." Change has been under way for some time. In 1987, the Fed allowed bank holding companies to own firms dealing in commercial paper and municipal bonds. In January 1989, the Fed permitted bank holding compa-nies to underwrite and sell corporate bonds subject to tight restrictions. However, there has been strong opposition at each stage, especially from the securities industry lobby. An

attempt two years ago to allow com-mercial banks a broad range of new powers died because of opposition from the committee responsible for the securities industry. The Fed's lat-est decision has also been criticised by some Congressional leaders for usurping the legislature's primary

role in any reform of Glass-Steagall.

The timing also worries Congress man Henry Gonzalez, the chairman of the House Banking Committee. "It is irresponsible for the Federal Reserve irresponsible for the Federal Reserve willy-nilly to add massive new risks to the banking system at a time when the taxpayer-supported insurance fund is strained to the limit," he says. J.P. Morgan is a low risk because it is one of the strongest US banks. But both the Fed and the administration account that any broadening of bank accept that any broadening of bank-ing powers must be accompanied by a

strengthening of financial safeguards.
The immediate focus is on midntaining the solvency of the Federal
fund which guarantees deposits up to
\$100,000 so as to avoid a repetition of the savings and loan rescue. Yet that is only the first part of a comprehensive package involving an overheal of deposit insurance.

An extension of bank activities will

An extension of bank activities will depend on higher capital standards and be outside the deposit safety-net in the hope of avoiding the abuses of the 1930s. It has been agued that strong firewalls — insulating investment operations from commercial banking — are needed to protect banks (and indirectly taxpayers) from the risk of new activities. Yet that year's collapse of Drexel, formerly the biggest US junk-bond dealer, showed that the rapid spread of market pressures to separately-regulated and well-capitalised units when the holding company was unable to meet its commercial paper obligations raises questions about the ability of firewalls to insulate one unit from another's problems. The Fed answer is to atress capital standards and close continue.

Thus, even if Glass-Steagall is repealed, it will not be a return to the pre-1933 days. Insured deposits will not be usable to finance equity

operations.

In the near future, piecemest moves by the Fed are unlikely to produce revolutionary change. Public equity offerings have been declining for years. Last year, corporate equity underwritings were \$30.55m and accounted for 10 per cent of companies' public fund-raising — about half the \$57.15m raised in this way in 1986.

The amount of equity placed pri-vately last year equalled underwritten issues for the first time as a result of changing market preferences. The commercial banks, which are not commercial banks, which are not restricted in this area, are already active. But even in this market, equity issues were down by about 25 per cent in the first half of this year. Accordingly, banks — which provoked intense competition when they entered the municipal bond business as underwriters a few years ago — may tread more gantly now.

After the surge in debt funding during the 1980s, many US companies are over-borrowed and undercapitalised. In time, and in more favourable stock market conditions, there may be a substantial requirement to raise new equity.

equity,
Several of J.P. Morgan's money can several of J.F. morgan's intury can-tre bank competitors are likely to fol-low its lead, seeking the ability to underwrite equities, though possibly not exercising it on a large scale for some time yet. The restructuring is likely to be gradual, as much in response to market conditions as to regulators and Congress.

Much still to do in Japan

Stefan Wagstyl says the US initiative has been welcomed

home and oversens by financial companies have undermined the barriers. Spurred by the US, the Japanese authorities have started to deregulate Tokyo's markets: they have parmitted the entry of more foreign companies, created markets and products and partially liberalls

Important as these changes are, system, which is dominated by the authorities and by the big banks and securities companies. Mr David Mulford, the US Treasury ander-secretary for international Orders, said on a visit to Tukyo this year. "Japan ranks as the least flexible, the least transparent and most financially over-regulated country among [leading industrialised nations].*

the hoped-for economic

ance in the former East

The new east German states are described as being at Stunde Null (zero hour).

Stunde Null (zero hour).
Caraful observers of
Chancellor Helmut Kohl,
meanwhile, have noted that
he has virtually stopped
references to Nato in public
speeches on unity.
He prefers the vaguer
formulations "Atlantic
Community" or "western
community of values" — an
indication perhaps that Nato
in the new Germany will

in the new Germany will become progressively unloved

■ There was a lot of criticism at the closing day yesterday of the Christian Democrat

party congress in Hamburg of Social Democrat views on

to see unity happen.

Sceptics

Observer

enese finance ministry officia retort that Americans give them retort that Americans give them
insufficient credit for completed and
pending reforms. But they
acknowledge their higgest challenge
is to come — the long-awaited reform
of the barriers separating securities
and banking. The ministry has been
considering this issue for more than
three years, without having produced
a minority nime.

It is being held up not by principles but by politics. Ispansee banks want reform so that they can get into the securities business, but securities companies have little desire to rout into banking. Different kinds of

banks want different kinds of reform.
The banks argue that
"securitisation" — the vogue away
from traditional bank loans towards
leading in the form of tradeable

securities — is undermining the traditional distinction between banks and securities companies. The force of this argument is pushing the ministry towards change. So is

international pressure. Deregulation is proceeding rapidly in Europe.

The ministry is working on a plan under which banks and securities companies will be admitted into each subsidiaries. At the insistence of the securities companies, banks will not be allowed into stock broking, only underwriting and other

The ministry's unofficial timetable ealls for banking and securities industry committees to meet jointly early next year. Legislation might be put before the Diet (parliament) next summer and brought into effect in the spring of 1982. Banks hope the timetable will stick.

However, much remains to be done. In particular there is likely to be a flerce debate over the flerwalls which will ensure that a bank parent company does not interfere in the activities of its securities subsidiary.

The layer layer one acquiries

activities of its securifies subsidiary.

The large Japanese sorurities companies — Nomura, Dalwa, Nikko and Tananichi — have real concern about the threat from bank-owned competitors. But smaller houses among the 260-odd Japanese broking companies are putting up strong resistance for fear of being swamped.

The broking firms have The broking firms have maderable backing from ministry bureaucrats who retired to posts in the securities industry. They include three former vice-ministers — Mr Minoru Nagaoka, chairman of the Tokyo Stock Exchange, Mr Michio Takeno his predecessor, and Mr Takeuchi's predecessor Mr Hiroshi Tanimura While it is probably too late for the

three men's lobbying to stop reform, there is still scope for causing delays.

East sounds low notes

operate abroad.

to underwrite company securities.
This means it can ofter a white range of services to its corporate clients by entering the competitive market in

equity issues.

The timing is odd in view of growing worries about the fragility of the US financial system and the frantic efforts of Congress and the adminis-

tration to shore up the shrinking Federal fund which insures bank depos-

its. Underwriting is a risky business.

The decision is, however, hedged with restrictions. J.P. Morgan will be able to derive no more than 10 per cent of its revenue from underwriting

equities, corporate honds, commercial paper, securities backed by mortgages and consumer debt. That may help explain the bank's determination to play down the announcement. But such reticence should not be misinter-

such reticence should not be misinten-preted. Five other North American banks are hot on Morgan's heels and are understood to have applications pending with the Federal Reserve — Citihank, Bankers Trust, Royal Bank of Canada, Canadian Imperial Bank of Commerce and Chase Manhattan.

Commerce and Chase Manhattan.

However limited the short-term impact, the decision symbolises the much wider review of US banking now under way. One banker commented: "It's one of those items of historical and long-term significance. It's not going to affect revenues for September or for this year. But it's fundamental to the restructuring of financial markets."

Glass-Steagall has been a corner-stone of the structure created in reaction to the financial collapse of the early 1930s and earlier banking

was lost on share speculation. That structure includes the McFadden Act,

limiting inter-state banking, and the Bank Holding Company Act, prevent-ing non-banking institutions from

controlling banks. These have produced the fragmented US banking sec-

duced the fragmented US banking sec-bur and contributed to the decline in the competitive position of US banks which are relatively smaller than their Japanese rivals. (The original law split the House of Morgan into separate groups, the J.P. Morgan com-mercial banking company which owns Morgan Guaranty, and the Mor-gan Stanley investment and securities banking house.)

banking house.)
Consequently, the Bush administration, the Federal Reserve and bank
regulators — with significant dissent
in Congress — agree that the 1980s

he Fed's decision to allow J.P. Morgan further into the securities business than any

US bank has gone in more than 50

their own chances of penetrating the US securities market, where

foreign finance houses have, despit some "grandfather clause" arrangements, been subject to the

sume regulations. They also hope

it will improve reform prospects in the heavily-regulated Japaness

Since the war, the activities of

different kinds of Japanese financial company have been strictly separated, especially securities companies and hunts, which are segregated under Article 65 of the Securities and Exchange Act — Japan's version of Glass-Steagall. Though technically this applies only at home, in practice it has conditioned the way Japanese houses operate abroad.

Ten years of rapid expension at

They hope the move will improve

s in which depositors' money

Sepastian Milnster, the 15th century astronomer, who gazes out of the blue DM100 note, has been voted man of the year by a West German megazine. But he is not being allowed to enjoy his glory. This week he begins to be replaced by

A new note. The Bundesbank has been planning the issue for years and it is sheer coincidence that it has fallen during the week of unification. The timing is rather good. The great Germans pictured on the new series of notes provide no joy to those seeking traces of new

national chauvinism The two notes that are The two notes that are introduced this week — the IMOO and DMOO — show respectively Clara Schumann, the emancipated 19th century planist, and Paul Ehrlich the Nobel Prize winning chemist. Future issues will show the writer Bettina von Arnim, the mathematician Carl Friedrich Genes the next Awnetts was Genss, the poet Annette von Droste-Hülshoff, the architect Balthasar Nesmann, the peinter Maria Sibylla Merian, and the Grimm Brothers.

ollectors of fairy tales. If Lothar de Malzière, former Rast German prime minister, in to be believed, vun Droste-Hülshoff, who will appear on a low denomination note, will be the most popular arrival in what used to be East

Germany. He say the only hitch with monetary union in July was that the Bundesbank doled out notes in the same ratio as they are used in West Germany — forgetting that poorer people require more lower denomination notes.

Goethe too ■ Germany is celebrating unity like Christmas, New Year, and Carnival rolled into

Along with the festivities comes a certain nostalgia. To

add weight to their unity coverage, the biggest German newspapers have dug deep into the treasure trove of memories, and have emissed the help of a galaxy of writers who are no longer alive.
The mass circulation Rild has splashed an exclusive article from its late founder DEUTSCHLAND Axel Springer. The Frankfurier Allegemeine Zeitung yesterday THINNED Allegemsine Zeitung yesters republished a speech from former economics minister Ludwig Erhard, under the WITH ITSELF catchy headline, Fears are unjustified. The Suddentsche Zeitung has come up with a catchy quote from Goethe in 1828, "I am not afraid of " · water Um 1100 1114 : Alle Germany becoming one."
Politicians have been resurrecting the language of the 1550s and 1950s to describe (BANX) 3317 3314 Mills.

A more helations tune was struck by Theo "Ted" Sommer, editor of the Hamburg weekly newspaper Die Zeit. Speaking yesterday in his city centre offices after putting to bed this week's bumper unity edition, Sommer reflected upon: "The scepticism of those like myself who wouldn't have died unfulfilled if mity bad not unfulfilled if unity had not occurred will serve us well to prevent Germany getting ideas about being a big power Sommer believes that countries with "power" will anyway exercise it in future

in a financial or technological sense rather than militarily. The Gulf crisis, he rumarked, shows that "America may lead but cannot dominate. Even if it acts as the world's policemen, it has to pass round the belinst afterwards to solicit contributions. That is a totally new way of behaving for a

Euro-seat?

of Social Democrat views on German unity.

Willy Brandt, who two years ago said that the Fuderal Republic was "living a lie" in hoping for reunification, came in for particular stick. Kohl himself said two years ago that he did not think he would live to see unity between ■ There was an interesting ommission from Willy Brandt's article in yesterday's Financial Times on why nobody need

No doubt bearing in mind where the majority of his readers come from he did not Britain and France should renounce their memberships of the United Nations Security Connell in tayour of a new seat for the European Community.

Italian government, received qualified support from Kohl in a television discussion the other night. No guesses how Margaret Thatcher or President Mitterrand would respond to the suggestion.
But perhaps somebody
should ask Labour leader Neil

Kinnock, now a convinced European and a fellow member of Brandi's Socialist international, what he thinks.

Tobacco road

"Look east young man"
night be the current slogan
for European business.
BAT Industries caught the
tide yesterday by appointing
a German to its main board
for the first time. He te Ulrich Herter, aged 48, chairman of BAT's German subsidiary (leading brand HB). With a sales force of 70 in East Germany he has

pioneered the newly-opened market for cigarettes. The Rast Germans have been smoking at a rate of 83 km charethes a year, compared with 119 km in West Germany. Herter has now captured 18 per cent of the combined market for BAT.

Hymn sheet ■ Germany's national hymn,

Germany's national hymn, with music composed by Haydn, was being played everywhere last night.

But it is surprising how many people, including conservative politicians, do not know the words of the one werse that remains in official tree. Helpfully the use. Helpfully the mass-circulation Bild newspaper yesterday printed it in large letters on its front

BRITAIN'S

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belief that the telecom-A munications industry will follow others down the path of globalisation and that only the lean and the strong will make the world's top five has been behind many of British Telecom's moves over the past two years.

Earlier this year it unveiled Coperation Sovereign, a massive re-organisation designed to reduce bureaucracy and make the company more customeroriented. According to a former senior BT executive involved in the re-organisation, the company has drawn up a plan to cut its workforce by 80,000, or a third, over the next five years. The company says the num-bers have not been decided.

As part of its international development, BT has been pur-suing acquisitions overseas. suing acquisitions overseas.
Last year it spent £907m buying a 20 per cent stake in
McCaw Cellular Communications, a leading US mobile
phone company, and a further
\$355m acquiring Tymnet, a US
data communications group. In
an interview with the FT, Mr
Lain Vallance, BT's chairman,
revealed that more international acquisitions and joint
ventures were in prespect in ventures were in prospect in the next year, though he refused to be drawn on any

Mr Vallance believes that the globalisation of the industry will happen in response to consumer demand. Multinational corporations want to deal with a single point of con-tact for all their telecommunications services instead of having to knit together for themselves facilities provided by a multitude of operators in ifferent countries.

BT expects to make profits out of globalisation in two out of globalisation in two ways. First, it hopes to boost its share of international phone calls, which are the most profitable part of the tele-communications business, though profit margins are likely to fall after action earlier this week by the UK's Office of Telecommunications. BT Telecommunications. BT already has about 7 per cent of the global market for interna-tional calls — putting it third in the world after American Telephone & Telegraph and the German Bundespost Telekom. Second, profits will come from managing large corporate networks on behalf of multinationals. BT believes that the world market for managing

with matwerks is worth tame of billions of dollars a year. The two sources of profit are related. BT's idea is to set up a multinational sales force which can build up relationships with their networks on a global basis and so route a large pro-portion of their traffic on to its

A jigsaw puzzle with missing pieces

BT is heading towards globalisation as part of its strategy for the 1990s, writes Hugo Dixon

nications manufacturer, in an effort to become a leading player in the world information technology industry.

Kariler this year, BT put its Mitel stake up for sale, admitting that its previous strategy had been misguided. So far, there have been no takers and, if the current share price is any guide, it is likely that BT will receive only a quarter of the C\$322m it originally paid.

"They were naive and they paid too much for it," says Mr Stephen Owen, a telecommunications analyst at James Capel.

Mr Vallance says the new

Mr Vallance says the new plan will not end in the same way because, among other things, there is a different management team. "The strat-egy tended to be let a thousand flowers bloom. A number of those flowers turned out to be weeds and one of the things that we have been doing over the past year or two is to weed that garden."

Even so, Mr Vallance has not won many fans with his acquisition of a minority stake in McCaw. Following a collapse in the prices of US cellular stocks, the stake is now worth less than a third of its original cost. Mr Colin Bell, former manag ing director of AT&T UK, says, bluntly, that "BT was shown to be innocents abroad". doreover, it is difficult to

see how the McCaw acquisition fits into the overall goal of win-ning more business from multi-national customers, since the company supplies cellular ser-vices on a local basis, not corporate networks on a global Mr Vallance's response is to

insist that McCaw fits in with the strategy but to say that he cannot yet reveal how. He compares BT's corporate plan with a jigsaw puzzle that has just been started: "There are some bits that may be the sky in the left hand top corner, which at this point of the game are not linked. That doesn't mean that

concern of any fund manager is his quarterly investment returns. It is easier and safer for him to sell the shares than to get involved in governance

If, however, institutional investors refuse to play the tra-ditional role of shareholders,

which it seems that they do, the law must be changed to resture the balance of power to

ensure that the directors of public companies do not abuse

continental Europe for some

ing the merits of the European dual board system? Supervi-

sory boards could, perhaps, provide non-executive directors with a more effective forum in

which to contribute to corpo rate governance. They might even be a place where institu-tional investors would feel

M.J. Ainsworth, chief executive & secretory,

slope are relevant for a discon-

sion of causes and likely future

Not only can the evidence be presented in more than one way and give opposite answers, but the analysis of cause and effect is not straightforward either. Even if these inefficient cause are waveled than a part than a

cycles are worse now than a decade ago, this does not prove

that the long-term pay deals, for example, have not reduced them compared to what would have occurred in their absence. It is the complexity of the issues being addressed and the read for a first but set simplicing.

need for a firm but not simplis-tic basis on which to debate

different viewpoints on an

issue which generates high emotions and accounts for

about 60 per cent of all current

(as distinct from capital) public expenditure that there is wide-

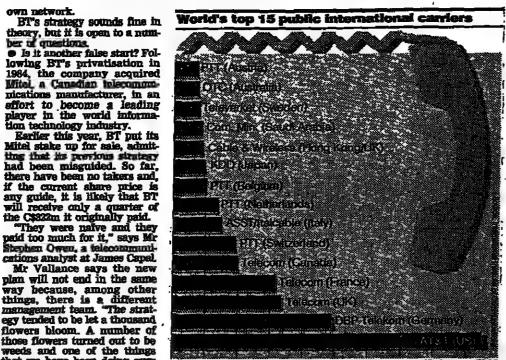
spread support for the idea of new initiatives on public sector

senior research fellow, Public Finance Foundation,

pay information. Chris Trinder,

Institute of Chartered Secretaries and Admit

We could start by reapprais-



Million minutes of international telephone traffic, 1988

there aren't pieces in between that link the sky to the rest of the body of the jigsaw." tive about the Tymnet acquisi-tion. James Capel's Mr Owen says the Tymnet sales force could be used to start selling a broader range of BT services. Moreover, BT has already started integrating its data communications services with those of Tymnet and expand-ing its network to cover more

Does BT have a strategy or merely an ambition? merety an amunion?

Mr Vallance says he is planning acquisitions and joint ventures to flesh out the strategy. The main thrust will be to expand BT's customer base and sales force, rather than to acquire infrastructure overseas. BT aims to use other phone companies' infrastruc-ture to provide its services. But Mr Bell says that it is not adequate for BT merely to express a desire to be a leading

player in the US, Japan and Europe. It needs detailed plans of which geographical markets, which services and which industrial sectors it is going to target, and whether it is going to build up its presence through organic growth, acquisitions or joint ventures.

• Will BT's bureaucratic organisation frustrate the organisation frustrate the

In recent years, the company has hired senior executives from outside the telephone industry in an attempt to inject a more dynamic culture. But one such executive, who has recently left BT, asks: "Can you get the impetus
down to the bottom of the
organisation? Once you're getting it through 12 levels you
have no hope." The frustration born of dreaming up plans which were not implemented was the driv-ing force behind Operation Sovereign. The challenge is to slim down the organisation, reduce the levels of hierarchy and remove many middle managers not considered sufficiently entrepreneurial.

• How aggressive is BT prepared to be? Until now, the international telecommunications business has been run as a cartel between the world's phone companies have a series of agreements which inflate profits from humanismal calls.

BT has to balance its desire to take market share from its

to take market share from its to take market susare from as counterparts overseas against the fear that, if it is too aggressive, it will hill the goose that lays golden eggs. Concern not to emage AT&T, for example, seems to be the main reason that BT has not tried to contact that BT has not tried to contact the contact that against the BT of the contact the contact that against the BT of the contact the contact that against the BT of the contact that the BT of the B pete head on with the US com-pany in providing interna-tional services from America. Nevertheless, BT's interna-tional ambitions are causing its former partners to become suspicious. "Many carriers are asking: is BT a commanion or a

asking is BT a companion or a competitor?" says Mr Tony Hagstrom, director general of Swedish Telecom. Mr Vallance is equivocal: "It might not be in our best interests to see a clash of the Titans. Treading on their toes is a difficult thing... but there is no way in which you can take market share without causing some degree of pain."

• Will BT's international ambitious lead it to take its eye off the ball at home? There is ambitions lead it to take its eye off the ball at home? There is concern that BT might waste money on foreign adventures, which would have to be financed by UK consumers, or that the company might fail to sastain its recent improvements in quality of service because management attention is diverted elsewhere.

Mr Vallance counters: "You

Mr Vallance counters: "You can't actually defend your home base properly unless you have the capability of raiding and attacking in other markets elsewhere, particularly the home bases of the major multi-

While there are doubts about whether BT will be successful in its global ambitions, in many respects it has a head start over other leading Euro-pean phone companies. Six years in the private sector may not have changed its bureau-cratic culture, but it is more commercially minded than France Telecom or the Bundespost Telekom — neither of which has been privated.

Moreover, Congration Sower. which has been privation.

Moreover, Operation Sovereign is strong evidence that.

BT's top management is finally
grappling with the problems of
a bloated bureaucracy which does not respond to customer needs. Without an effective organisation, any grand strat-egy is bound to end in tears.

Labour conference

Chief executive Kinnock considers his business

By Joe Rogaly

t is easy to be cynical about all politicians; as to Mr Nell Kinnock it is hard not to be cynical. The man ments have been carefully tested over two years, first in a lengthy policy review document, then in a shorter but still verbose edition, then again in speeches here, private polls there. Now his managers, those closest to his understanding of what is required to meet the corporate objectives, are paraded: Mr John Smith, chief finance officer; Mr Gordon Brown, works manager; Mr Tony Blair, formerly labour relations director and now in charge of human resources; Mr Jack Straw, manager in charge tested over two years, first in a wants power; he will perform such contortions as are required of him by his advisers in the hope of gaining it. To me, one of the enduring images of this party conference is of the Labour leader inadvertently breaking into the famous grin whose extraordinary width has so often deprived him of any appearance of gravitas. No sooner are the lips approaching full stretch than something — a sudden realisation of the pres-

reishons director and now in charge of human resources; Mr Jack Straw, manager in charge of the product designed to build market share.

That, as we should know by now, is an emphasis on education and training. Labour's policy on this is principally, but not exclusively, to spend more than the Conservatives, although not too soon because that would be profligate. This is not the place to debate the other details; suffice it to say that the package is weak on the prerogatives of teachers, which will have to be abolished if true progress is to be made. It addresses genuine concerns felt by much of the public; Labour may well be able to rely on the probability that many of the swing voters it seeks are not well enough sumen reassance of the pres-ence of the cameras, perhaps — comes over him. The mouth is instantly contracted, the lips set inwards on themselves; it is as if he had swallowed a hitter herb. He will grin when the programme says he must, but not othersides not in while programme says he must, but not otherwise, not in public, not if he can help it. He had to struggle hard to control his smile during the prolonged ovation that marked the end of his speech yesterday.

Yet cynicism is not always apposite. Let us take the story of the extraordinary rise of Mr. Kirnork at its face value. Here Kinnock at its face value. Here is a man of unspectacular intellect but, we can now see, burgeoning self-discipline. He has asserted his authority over the it seeks are not well enough educated to spot the fixes. The second bull point is sup-posed to be industrial policy. It asserted his authority over the
Labour party, not an easy
organisation to handle, and
converted it from what was a
discredited rabble into a
respectable social democratic
party with a double figure lead
in the opinion polls and a reasonable ciaim to be taken seriovaly as a nossible next sovpoils down to a partnership between government and industry; an approach favoured by such Conservatives as Mr by sign conservatives as my Peter Walker and Mr Michael Heseltine. Again, whatever the merits of the case, it sounds likely to be well received among the overwhelming majority of British voters, most of whom accept the weeket

some casm to be taken ser-ously as a possible next gov-ernment. A chief executive the turned a meture business around like that would be lighly praised; some who have done so have no greater claim to the title of Brain of Britain than Me Einrock of whom accept the market, but suspect it of being imper-fect. The economic policy back-ground to this strategy may not remain a Labour patent for to the title of Brain of Britsin than Mr Kinnock.

It was of just such a business manager that I was particularly reminded as the Labour leader spoke yesterday. He had the air of confidence that would follow naturally from his achievement. He has brought the enterprise round; it is responding to the political market-place. Every offering has been well researched; those rejected by the voters, such as socialism, have been discontinued. The replaceyery long: Mr Kinnock pro-poses to cut interest rates and join the exchange rate mecha-nism of the European mone-tary system. Only his third ingredient, the introduction of ingredient, the introduction of oredit controls, is unlikely to be stolen by the Conservatives. Yet this latter item, too, is probably in tune with majority opinion. The same applies to Labour's proposed high-speed railway system, to be paid for

"through a financial partner-ship between public and pri-vate sectors." Its business sense may be questioned; its political sense is evident. I could go on, but the diffi-culty is already becoming self-evident. In his enthusiasm, Mr Kinnock has forgotten the value of biring a good speech-

My Kinnock has forgotten the value of hiring a good speech-writer. He was on his feet for an hour, and while Labour supporters in the hall seemed genuinely inspired, I have to wonder about the wider, television, andience how many of those who watched it live found themselves dropping off? wad watched it live found themselves dropping off?

Mr Kinnock would not mind. The principal purpose of this somewhat somnolent conference is to embed the idea that Labour really has changed, that it is not merely parading its new-found moderation with the intent to deceive. The most potent reason for accepting potent reason for accepting this proposition is Mr Kin-nock's very thirst for power. if he does win the next general election, he will want a second election, he will want a second term and, if possible, a third. You can see it in his every tactic. A firmly set jaw and a promise not to reduce income taxes is intended to be a sign of economic reliability; talk of long-term economic recovery long-term economic recovery has the same purpose. As the man who succeeded Mr Michael Foot as leader of what was then the remnants of a party he must be deeply aware of the pitfalls of abandoning such totems of moderation. The Conservative party manager, Mr Kenneth Baker, will have difficulty in catching him out. Mr Khmock has become far too ar amnock has become far too agile to be painted red.

The question is, will this neatly-packaged new business plan work? Mr Kinnock's plan work? Mr Kinnock's advisers have persuaded him to create a sense of momentum, of the inevitability of a Labour victory. My own belief is that miracles are never inevitable, and that it would take a political earthquake for his party to win sufficient seas to onjoy an overall majority after the next dection. In the numbane world in which the Labour leader must live, his best shot he could offer, confident with what the party

dent with what the party would accept it is some way

Corporate governance: a lesson from the Continent

Pros. M. M.J. Ammouth.
Sir, Your editorial communic.
("Entrepreneurs and the City,"
September 24) raises once again the issue of corporate governance and, in particular, the role of non-executive direc-tors and institutional inves-

it is hardly surprising that non-executive directors have been found to be ineffectual whilst the law not only fails to provide a corporate structure which enables them to super-vise the executive directors, but also refuses to acknowltheir position. We certainly need more radical solutions than those suggested in your editorial and what could be more radical than to look to

edge that they even exist. The failure of institutional ors to take an active role in the governance of public companies has emasculated one of the fundamental concepts of UK company law that the directors are responsi-ble for their actions to the chareholders. Shareholders have wide powers to call meet-ings of the company to control the excesses of so-called entre-preneurs. The concentration of company ownership in the hands of a relatively small number of institutional inves-tors should have made them a force to be reckoned with in

the governance structure. Perhaps we are being unrea-sonable, however, if we expect 16 Park Crescent, W1

From Mr Curis Prace.

Sir, Your report ("Reduction in public sector pay cycles seen," September 29) suggests that fluctuations in the difference between public sector pay and salaries in the private sector pay and salaries in the private sector.

tor have been reduced during the last decade and that this has been caused by the intro-duction of pay review bodies for nurses and long-term pay

The reduction in fluctuations

has occurred in absolute terms,

but not in percentage comparisons. The public sector pay increase of 10 per cent in 1987-88 is 137 per cent of the 7.3 per cent increase in the private in that same year. The

sector in that same year. The "peaks" in 1975-76 and 1960-81

were 121 per cent and 128 per

all years 1972-73 to 1990-91

shows the size of cycles has increased. The lower rates of inflation during the past

The cycles on this basis for

cent respectively.

deals for civil servants.

From Mr Chris Trinder.

Public sector pay information

Reality in eastern Europe institutional investors to take on this role. The immediate

From Mr Ornhom Allen MP.
Sir, There are still massive misconceptions about the reality of economic change in central and eastern Europe. It is instructive to contrast the opinions of Nomura Research (Letters, September 25) with those of people actually charged with privatisation in Czechoslovakia and Hungary. On a recent visit I was asked

ff an enthusiastic and ideologi-cally driven British govern-ment takes 10 years to privat-ise 5 per cent of the gross national product of a plump and developed western economy, can a new and fragile democracy, without a market culture, be expected to do bet-

The political promises of 50 the private sector in three or five years should be seen as a statement of unquestionable

which has come unstuck in our own electricity privatisation.
Certainly many areas
require and are smenshle to
immediate privatisation, such
as shops, restaurants and
hotels and others identified in
Cachoslavatria and in Ham-

per cent or three-quarters of an economy being transferred to commitment to achieve a bal-anced, mixed economy. They should not be regarded as a cast iron timetable of the sort

gary's first privatisation pro-gramme (FPP). However, to go further without the development of a new economic culture and environment would political destabilisation.

The nations of central Europe are finding their own answers and do know what they are doing. They now require less gratuitous advice of the sort offered in Mrs. Thatcher's recent visit and more practical assistance in more practical assistance in developing the skills, training, management and accounting structures, and infrastructure to support the evolution of a sustainable mixed economy. Graham Allen,

Balancing universities' books

rom Mr Michael Allen. Sir, You report ("Action needed on universities' cash deficits," September 27) the Public Accounts Committee's criticism that universities have been alow to take action to cor-rect deficits because "they have failed to recognise the participaness of their financial position."

In fact, universities have been painfully aware of the seriousness of their financial position since at least 1981. However, few university officers take the view that reducing mineritanal standards and opportunity constitutes respon-

sible behaviour. Consequently, many universities have tried to maintain staff levels and have continued to buy library books and equipment despite what they hope will be only a temporary shortage of funds.

The "vigorous, prompt and effective" measures which the committee calls for might possibly balance the books but they will do nothing to improve the quality of our graduates, on which the future of this country is so heavily dependent. Michael Allen L. Kingsfield Close, Bradford-on-Avon, Wiltshire

Recycling cuts industrial costs

tance, the government's white paper on environmental issues, has received considerable inihas received considerable ini-tial criticism. However, the government's consideration of levying a charge on products which are hard to dispose of is to be welcomed. This is the government's first serious attempt to legislate in favour of recycling waste oil, chemi-cals and solvents.

In this area, we are way behind our European competi-tors. Recycling has long been the most popular option in

legislation favours its use. Recycling received official European Community approval in 1985. During a time of recession and soaring prices of industrial lubricants, it makes financial as well as environmental sense. Recycling holds no risks for the environ and can save industry up to £50 per barrel on current lubricant prices.

Terry Moorhou monaging director Midland Refinerie Shelah Road, Halesoven, West Midlands

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decade have brought down the absolute figures, but not the percentage ones. Both dimen-

FINANCIAL TIMES

Wednesday October 3 1990



Ring John Kos 0845 522444

Tokyo stocks reverse decline with record rise

negotiated peace in the Gulf and Sunday night's tentative agreement between President George Bush and Congress to cut the US budget deficit boosted global equity prices and pushed oil and gold lower

By far the most spectacular performance came from the Tokyo stock market, where the Nikkei average shot a record 13.24 per cent upwards - by 2,676.55 points to 22,898.41, after plunging 761.64 on Mon-

day.

The jump, which outshone the Nikkei's previous record point gain of 2,037,32 after the October 1987 stock market crash, followed Japanese gov-ernment measures on Monday to support the equity market.

Trading volumes were moderate, however, causing some analysts to doubt whether the recovery marked a change of trend after the Tokyo market's

sharp 48 per cent slide since the end of last year.

Mr Richard Jeffrey, director of economics at Landon stock brokers Hoare Govett said the bounce in Japanese shares showed how effectively the authorities could manipulate the Tokyo market. "But I don't think that makes the Japanese market any more attractive to the overseas investor," he said. But the lack of strong follow-through in London and on Wall Street to the jump in Tokyo and Monday's sharp rise in US stocks showed that many investors preferred to take a

cautious view.
In London, the FT-SE 100 In London, the FT-SE 100 share index opened at its high for the day with a gain of 44.5 points, before easing back in modest trading to close at 2,058.5 for a net gain of 27.7. Although share prices gained some support from heavy buying of the December futures contract and demand for bluechips, institutions were chips, institutions were reported to have taken the

opportunity of higher prices to ell equities. Share prices in Frankfurt, Zurich and Milan also closed higher yesterday but below their best levels. The trust in the market just isn't there yet," said one Zurich dealer. reflecting on the day's modest

Wall Street moved ahead at first and at midsession, the Dow Jones Industrial Average stood 14.85 higher at 2,530.69 but finished at 2,505.20, down 10.64 on Monday's close. The budget accord, with its hope of lower US interest rates, continued to have a positive influence on US bonds. Yields on

the benchmark US long bond slipped to around 8.83 per cent at midsession, well below last week's high of 9.17 per cent. Oil prices turned sharply lower, with Brent crude for November delivery in London quoted at \$35.20 a barrel, \$1.925 lower than on Monday and well below last week's post well below last week's post Gulf crisis highs of around \$40. Gold also fell on the perceived easing of Middle Rast tension to \$388.75 an ounce in London, against \$386.5 on Monday. Japanese stocks in record rise, Page & Lex, Page 16; Commod-ities, Page 27; World stock prices, Page 37; Market reports, Back Page, Section 2

A brief rest for the nerves

The Japanese market, in particular, was overdue for a correction. Any market which can fall 15 per cent in a week and by more than a third in a couple of months is liable to stage a dramatic bounce. Bear markets do not go down in a straight line. That said, there is no obvious reason why the measures the Japanese author-ities have taken to prop up their market should mark the turning point. The recent liberalisation of the Japanese finan-cial markets has reduced the power of the officials to dictate the level of the market, and the Bank of Japan has not sud-denly lost interest in squeezing asset price inflation out of the system. Indeed, Tuesday's recovery in the market reduces the need for a panic cut in interest rates to smooth the

Meanwhile, it is one thing for investors in the world's other equity markets to pop their heads above the parapetand not spot any bears. It is quite another to conclude that they have disappeared for good. A week ago the oil price seemed to be heading for \$40; yesterday it was settling down around \$35; and if the US budget assumptions are to be believed the price will average \$44.15 peak areas of courses. \$24.15 next year. Of course, events in the Gulf will make a mockery of almost any fore-cast. But the improvement in sentiment reflects a modest reduction in both the oil price and political tensions. How-ever, to read anything more into yesterday's market moves would be foolbardy. There is rething in the exercise of the nothing in the events of the last few days to suggest that the world monetary squeeze is

Polly Peck

On closer inspection, Mon-day's Polly Peck statement looks even odder than before. Mr Nadir's own difficulties over liquidity are by this stage perhaps unsurprising. What is less expected is confirmation of iquidity problems at the com-pany. These problems, the board says, were "precipitated" by the fall in the share price and associated publicity, which does not necessarily mean they were caused by it. Either way, it seems curious that a com-pany with Polly Peck's reput-edly strong cash flow should prove so fragile. But on closer inspection,

But on closer inspection, that cash flow proves something of an illusion. It is to be expected that a growing company should be a consumer of cash. It is less usual to find that, as in Polly Peck's case in the last two years, the gross

US Interest Rates US Long Bond Yield BER Rate

1990

operating cash flow before tax and dividends is consumed almost twice over by the increase in working capital alone. Thus last year, for instance, the company had incurred an outflow of £116m before embarking on £209m of capital expenditure and £583m

Oct 1989

in acquisitions.

The most striking part of this outflow is the inexorable rise in trade debtors, presumably representing advance payments to citrus growers, credit to electrical wholesalers and the like. Last year Polly Peck advanced £259m more trade are dit than it received, which credit than it received, which is a material sum in relation to is a material sum in relation to a net worth excluding intangi-bles of £560m. It is also the kind of process more easily accommodated in the benign banking climate of the 1980s and not necessarily easy to alow down when the climate

turns more hostile.
It also seems that the com-pany has very large financial assets held in depreciating cur-rencies, presumably in Turkey and Cyprus. The amounts writ-ten off are not cash items, but they have a hefty effect on distributable reserves; over the past three years they have morn than other total retained profits. It may have seemed odd for Mr Mailir's bunkers, as revealed in Monday's state-ment, to have unloaded Polly Peck shares on to a collapsing market. But perhaps they knew what they were doing after all.

UK plasterboard The Government's decision to relex its grip on BPB industries' monopoly of the UK plasterboard industry comes no surprise. The 60 per cent drop in BPB Industries' share price over the last three years amply demonstrates what can happen when a couple of pow-erful new competitors take aim

at a company with a market

marketplace for UK plaster-board has been transformed, rendering BPB's previous undertakings relatively mean-

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The big unknown is how HPS will react to its new found pricing freedom. Yesterday's report from the Monopolies report from the Monopolies and Mergers Commission underscores its difficult predictament. According to industry forecasts it will be another three years before UK plaster-board sales recover to the record 1988 level, and this would still be 14 per cent below RPR's own current expective. BPB's own current capacity.
For those involved, nothing will be gained by a long drawn out price war, but given the UK government's renewed stress on vigorous competition, it sounds as if nothing less would trigger yet an

Sears

For asset backing, Sears is hard to beat. One day, though not perhaps this side of 1998 and not from the Al-Fayeds, the long-awaited break-up bid will materialise. And in the meantime, the company has been doing enough by for example selling off William example saling off william Hill, recycling its 3,000-shop portfolio and investing £8m in the Selfridges Food Hall to keep earnings and dividends moving about at a resumplification of most stock market commentary on Sears, Regrettably, as vesteriar's dis-Regretiably, as yesterday's dis-appointing interim figures underlined, their validity is

underlined, their validity is starting to wear thin.

As regards assets, where Sears had 2977m of land and buildings in its books at the last year-end, the obvious difficulty is that UK retail property is still a buyers' market and may be so for several years. Sears is finding this with its sale of 200 shoe shops: properties can be sold, but the time-scale has lengthened. More generally, Sears' balance sheet, though not stretched, is getting no stronger. Net debt could be \$250m by next January; and the likely dividend cost of \$250m, for a year when taxable profits may total only £125m, will represent another drain.

will represent another drain.

As for earnings per share even in the good years of the mid-to-late 1980s Sears was only growing on average at 7.5, per cent per simum. The debacle this year at Sears' men-swear shops and at British Shoe, where half-year trading profits were a mere £4.4m, is a reminder of the long hanl Sears faces in rejuve some of its core ass

US and UK resist anti-spying technology

By Nancy Dunne and Louise Kehos

WORRIES about rapid tion innovation have prompted US and UK intelligence agencies to boost efforts to stop the spread of technology that makes spying more difficult, US officials say the intelli-

gence community fears such technology may reach drug and terrorist groups who could use it to make detection harder. So they have stepped up co-operation to minimise the impact of relaxed official

are worried at the spread of technology with military application to the Soviet Union and countries such as Iraq, but a main concern is export of equipment which blocks inter-ception of voice and data com-

One official said intelligence agency opposition has often halted the export licensing process. British intelligence's role has grown and US-UK spyservice links drawn closer since the western allies agreed to liberaline multilatoral

US officials cite as examp proposed exports of optical fibre cable and transmission equipment, used in phone networks, and data encryption devices, employed to make computer data communicaions more secure. Both technologies are widespread com-mercially. Optical fibre is becoming standard for long-distance phone lines. Data encryption is seen as a safeguard against industrial spies and computer backers. The US and the UK intelli-

UK company of data encryption equipment designed to protect its IBM mainframe they could not obtain the needed export licence for the data encryption equipment. It would certainly have been forthcoming it the UK company had persuaded the British government to back the sale. The UK declined to intercede water the sale of the sale. cede, reportedly because of Scilish misligence opposition. The intelligence community also led the US and UK governments to work together to curb liberalising export con-trols on telecoms equipment. Mrs Margaret Thatcher, Britain's prime minister, is add to have falled to DS Pra-ident George Bush about pull-ing back from a pact with the Co-ordinating Committee for Multilateral Export Controls (Constraint) to see Heaving of (Cocom) to ease licensing of high-capacity fibre optics tele-coms cables and transmission equipment. Last June, the US and UK agreed to stop an attempt to set up a trans-So-vist fibre optic phone line.

High-tech exports face new licensing problems

Intelligence agencies encroach on east-west controls, write Nancy Dunne and Louise Kehoe

R Stephen Bryen, the former Pentagon official in charge of export controls in the Reagan administration, was a strong proponent of strict curbs on sensitive high technology exports man in strict carrie on sensi-tive high-technology exports. Today, he sells devices to pro-tect computers from eavesdrop-pers – and complains that US export control policies are typoditive less are manufactured. mpeding his new venture.

The National Security Agency, he said, seems to exert a growing undue influence in export licensing. It is "not the right agency" to be handling export controls on his data encryption technology because conflict exists between its mis-sion and the interests of US international competitivene He sees US export control pol-

as an anomaly. Others see it as typical of policies that have nuclear or missile technology ligence agencies.

rules for goods moving to east-ern Europe have created opti-mism in the US computer

But industry concern is growing that as rules are eased under the Co-ordinating Com-mittee for Multilateral Export Controls (Cocom), decontrolled items are switched to other licensing regimes meant to stop proliferation of mass-

The control processes have key differences, and this has led to the intelligence agencies' enhanced role. With east-west controls, the stress was on keeping from the former Soviet bloc sensitive technology In controlling the spread of

world developments.

Moves to liberalise export rules for goods moving to eastern Europe have created opti-

Export decisions depend more on the end-user and his purposes; the intelligence agencles are needed to investigate would-be importers.

Controls against prolifera-tors need sensitive treatment. The Missils Control Technoloney Regime is a series of US bilateral agreements with main producing nations to control sales of products deemed criti-cal to develop missiles. The pacts do not even give names of destinations for fear of The State Department controls heavily influenced by the intel-

of British intelligence agencies in the process has grown. In the US, a schizophrenia has ed in export control policy as the various agencies in charge, the State, Commerce and Defence Departments, and the congressional committees overseeing them, struggle to belance the interests of busiess, national security and for-

One US official says the role

eign policy.
The cultural ethos of the groups differs radically," says another US official. "State prefers to do things quietly - no press, no Congress. Collegiality is important to business people. They want the process open, the rules clear. The Pen-tagon sees the press as useful to attack various people. It sees threats everywhere.

in the uproar over sales to Iraq which could help weapons development, the Pentagon was given new review powers. One senator demanded sanctions be levisd against foreign companies which had contributed to the Iraqi build-up.

Lack of clarity in export con-

When the trade deficit is

stressed, pro-business interests have the edge in legislation to curb state and Pentagon influ-

ence over exports.

Lack of clarity in export con-trol policy has produced confu-sion. Pro-trade interests recently prodded the Com-merce Department to launch a promotional effort to boost sales of US telecoms technol-

The commercial officers went to work, only to find export licences for the most modern equipment would be dness and denied to China and India, two national security interests. of the most lucrative markets.

By Nikki Talt in New York

MR Michael Milken, former bead of the junk bond department at Drezel Burnham Lambert, will next week face a "mini-trial" to enable a federal judge to assess his character before sentencing him. Mr Milken has already

pleaded guilty to six separate law, but the Government has claimed that these offences need to be considered in the light of a much larger body of evidence against him and the Drexel investment house, which went bankrupt earlier Much of the additional

wrongdoing alleged by the gov-ernment centres on Drexel's relationship with Mr lvan Boesky, the US arbitrageur who has already served a prison term for insider trading. Mr Boesky could be called to give evidence against Mr Milken in the hearing, due to start next Tuesday.

Mr Milken's lawyers deny these further allegations and also dispute the relevance of the Government's material to he sentencing issue. Judge Kimba Wood, never-

a, has postponed sentencing Mr Milken and yesterday outlined how the hearing of the Government's extensive additional allegations would

The purpose, she told both sides, is "to shed light on the defendant's character". Theoretically, Mr Milken could be jailed for up to 28 years. Both sides will have about 20 hours to present evidence, call witnesses and cross-examine. The Government will concentrate on only four of the spe-cific situations where it claims there was wrongdoing.
These involve Wickes, a
home products company which



was attempting to raise new capital in 1985 with Drexel's help; MGM/UA, the entertainment group, which was subject to a bld in 1985-26 from Turner Broadcasting on which Drexel was advising; Caesars World, the casino group which was restructuring its debt with Drexel's aid in 1983; and Storer Communications, at the centre of a proposed leveraged buyout from Kohlberg Kravis Roberts, from Kohlberg Kravis Audentick which was being advised by

Yesterday, in a discussion between Judge Wood and the two sets of lawyers, the government unveiled its potential witness list of over a dozen individuals and was headed by Mr Boesky – although there is no guarantee that all the indi-viduals will be called.

Despite pressure from Mr Milken's lawyers to give more details of when, or even whether, Mr Boesky would take the stand, the government lawyers declined to commit themselves. They did, however, say that it was unlikely to be on the opening day of the hear-ing.

Milken to be assessed Nissan to export 10,000 cars a on character by judge | year from UK to Japan, Taiwan

By Kevin Done, Motor Industry Correspondent, in Paris

NISSAN, the Japanese car maker, is planning to export about 10,000 cars a year from its British assembly plant to Japan and Taiwan, the first wehicles, of which 645,000 were move by a Japanese vehicle maker to ship cars from Europe to Asia.

Mr Tetsuo Arakawa, Nissan Motor vice-president for inter-national operations, said at the Paris motor show last night that the shipments from the UK would begin next year.

While Nissan, Japan's sec-ond largest car maker, will break fresh ground in Europe, Honda and Toyota already export cars from their plants in North America to Japan and

Taiwan. Nissan was the first Japanese car maker to begin devel-opment of a car plant in Europe. Production started at its £640m (\$1.2bn) plant at Sun-derland, Tyne and Wear, in 1986. Exports to markets in continental Europe began in

Inte 1988. Nissan said it would export hatchback models of its UKbuilt Primera to Japan, while it would export hatchback and saloon versions from the UE to Taiwan.

The export of cars from Europe to Japan will enable Nissan to circumvent Taiwanese restrictions on direct car exports from Japan. Mr Arakawa said Nissan was aiming to reduce its overall car exports from Japan as it built up overseas production. By the end of the 1990s it would be

producing two vehicles over-seas for every vehicle exported from Japan. He said the globalisation of corporate activities was "inevitable . . . how to come to grips with globalisation will be one of the major issues facing

produced overseas. Of the 2.37m produced in Japan, some EXI,000 were exported.

There are some who would call this overseas expansion an 'attack' on local industries," said Mr Arakawa, but Niss had "no intention of charging recklessly into other markets and disrupting the market

Nissan had made a "clear-cut" commitment to reducing vehicle exports from Japan, he said.

"By the end of the 1990s, we want to reduce our export you.

plan to reduce our export volume to roughly one half of the peak level of 1986, when we shipped 1.41m vehicles over-

In the year to the end of March, Nissan vehicle exports fell by 9 per cent to 990,000, while this year, overseas production is planned to rise by 7 per cent to 690,000.

Mr Arakawa said Nissan was also seeking to increase the value of its imports to Japan, which would rise by 25 per cent in the 12 months to the end of March 1991 to \$500m from US \$400m a year ago. The decade of the 1990s would be "characterised by the emergence of borderless economic activities as symbolised by the unification of the EC market in 1992 and the cre-ation of a European Economic

Nissan was seeking to localise its overseas management; all its big overseas manufacturing plants in the UK, the US, Spain and Australia were man-aged by non-Japanese chief

Space including EFTA", he

The group was seeking to localize its oversess activities in five steps:

by increasing the volume of local production:

 by expanding local sourcing of components (the UK-built Primera will achieve 80 per cent local European Community content'r • by localising research and

development activities (research and development facilities are being developed in the US and in the UK); • by localising managmen

• by localising decision-mak-

Two new umbrella companies, Nissan Europe and Nis-san North America, had begun operations this year and Nis-san was "in the process of transferring to them most of the functions and authority of our head office in Japan", said Mr Arakawa. Two Europeans had been hired as vice-presi-

dents at Nissan Europe. Nissan had finished laying the foundations for the localis-ation of decision-making to establish a "tripolar management structure encompassing Japan, North America and Europe", but the biggest issue facing the company in the 1990s was "how to advance glo-balisation further".

"We will need to manage our operations from the standpoint of one global market and one global production system. That will require the construction of a closely linked system of complementarity on a global scale instead of operating our units in the UK, Spain or in other countries as self-contained

Nissan attacked over pricing, Page 10

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WORLDWIDE WEATHER ures at middwy yesterday. G-Cloudy. Or-Ortzzio. F-Fair. Fg-Fog. H-Hall. R-Rain. \$-Sunny. Si-Siest. Sn-Snow Wednesday October 3 1990



INSIDE Maxwell to sell his

television interests

Mr Robert Maxwell, the publisher of Mirror Group Newspapers, announced last night that he plans to sell his television interests. The decision to sell these privately-held assets parallels a disposal programme at his publiclyquoted company, Maxwell Communication Corporation (MCC). Mr Maxwell is to sell his stakes in TF1, the French first television channel, in Central Independent Television in the LIK, in MTV Europe and other interests in Brit-Tell cable television. Mirror Group Newspapers, owned by the private Maxwell interests, is to purchase MCC's 27 per cent stake in Donohue paper mills in Quebec.

Back to basics



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BASF, the German chemicals group, takes research and develop-

employs 12,300 in the total R&D effort, and spends DM 2bn (\$1.29bn) annually - more than either ICi or Royal Dasch-Shell. David Fishlock talks to Hans-Jürgen Chadbeck-Seeger, executive director responsible for R&D, about the company's commitment to basic research. Page 29

PepsiCo gets into Mexican food PepsiCo has taken another step in its plan to expand its lucrative snack foods business. The world's second biggest producer of soft drinks yesterday announced that it had taken a 70 per cent stake in Empresa Gamesa, a Mexican bis-cuit maker, for \$300m. Page 19

Short shrift on sheepskins



Pittard Garner, the UK's only Independent quoted leather company, yesterday announced a plunga into the red in the first half following a collapse in the price of sheepskins. The com-pany was once again knocked back by the volattle price of a raw material which is spewed out by the most industry, rather than linked to the demand for skins. Page 24

High hopes fall flat

High hopes for the US financial marketplace following SEC rule changes have so far falled to prove justified. The liberation of the US private placement market for debt and equity in April comes as companies are shying away from international issues smid the uncertainty in world markets. Page 22

Picking by the places



James Unruh (left), pres-ident of US computer, and defence group Uniedges that 1989 was a disaster for the company. He is no longer obsessed with growth obsessed with growth but instead with a return to profitability after a staggering loss of \$839m last year. One of his most urgent tasks is to

draw together its dispa-Kahoe reports. Page 20

Market Statistics FT-A indices FT int bood service

London traded options London tradit options Newaged fund service Money markets
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World commodity prices
World stock mid indices
UK dividends amounced

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La Générale falls sharply in first half

By Lucy Kellaway in Brussels

SOCIETE Générale de Belgique, Belgium's largest company, yes-terday announced a steep fall in profits for the first half of 1990. It also warned that serious problems with its arms-making sub-sidiary and a slowing economy would mean that there was no hope of repeating its 1989 perfor-mance this year, as previously

In the first six months, the company made a consolidated net profit before extraordinary items of BFr4.6bn (\$143m), compared to BFr16.8bn for all of 1989. These were the first consolidated interim figures produced by La Générale, so there were no comparable figures for the first half of 1989.

Mr Etienne Davignon, president of La Générale, yesterday said the weakness of the result was due to special factors that would not be repeated.
Most important were problems
at Fabrique Nationale Herstal, La
Générale's almost bankrupt arms

company, which is struggling to put together a rescue plan. Mr Davignon was optimistic that this plan would succeed, and stressed the company's underly-ing industrial strengths.

The results were also hit by heavy financial charges related to the investments made by La Générale since the attempted takeover by Mr Carlo De Benedetti, the Italian financier, in

Mr Davignon said the turn-down in the economy had come at the wrong time, but that these investments would still pay off in the longer term, "We can go on generating profits, and we are not going to be hampered by the present economic trend," he said. The company was hit across

the board by higher interest rates, the fall in the dollar and by the fall in demand and prices for These were the first poor figures from the big holding company since the new management took over in a blaze of glory two years ago. The market was prepared for the results – the share price had fallen more than 30 per pared from the price had fallen more than 30 per pared from the price had fallen more than 30 per pared from the price had fallen more than 30 per pared from the payioner.

cent since July. Mr Davignon said this represented too harsh a judgment. "In 1989 we were too much in fashion. Now we are too much out of favour," he said. Net profits including extraordinary gains for the period were BFr7.5bn, compared to BFr20.1bn for 1989. The sharpest falls were

non-ferrous sector where profits fell from BFr12.1bn in 1989 to just BFr3.0hn for the first half. These figures were affected by the weak results of its non-fer-rous Acec Union Mindre subsid-iary, which was the subject of an unsuccessful partial flotation ear-lier in the year.

in the industrial sector, where operating profit was down from BFr9.7bn to BFr3.3bn, and in the

Banesto buys Rioja unit from Guinness

By Tom Burns in Medrid

BANESTO, the big Spenish bank and industrial holding, said yeaterday it had acquired control of Bodegas AGE, the leading exporter of Rioja wines, from Guinness, the UK drinks group.

The acquisition is the first major purchase by the bank since it is unched Corporación Industrial Banesto in July as a holding for its industrial assets. It is seen as a strategic move by the con-glomerate into the food and

The reported decision by Guin-ness to sell its 50.8 stake in AGE finelied speculation in Madrid that the UK brewer was poised to bid for Cruz del Campo, Spain's largest brewer, whose sale is being managed by Goldman

Sacha, the US investment bank. Analysts were suggesting in Madrid yesterday that Benesto could be planning a partnership with Guinness in a bid for Crus. Crus, controlled by a group of families based in Seville, has a 22 per cent share of the fast growing Spanish beer market. It is said by analysis to be a key acquisition analysts to be a key acquisition

pean ambitions.
Together with Guinness, several other multinational beer eral other multinational beer groups, including Interbrew of Belgium, the Dutch Heineken group. Fosters of Australia and United Breweries of Denmark — the Carlsberg producer — have expressed interest in the sale of Crus. One of the big fears is that another gravity-defying market is ready to fall

A using a chart to illustrate the crisis in Tokyo's financial markets to viewers, points to three columns of most serious concern: the Tokyo stock market, international oil prices and Japanese land values. The first is down 46 per cent, the sec-ond is up 100 per cent and the third is a blank space waiting to

As Japanese stocks have langed, one of the biggest fears in Tokyo is that another gravitydefying market. Japanese real estate, is ready for a similar fall.

The concern is that if property prices drop sharply they could bring down dozens of Japanese companies which have over-ex-tended their borrowings to invest in land. If these groups run into trouble some of the financial companies which stand behind them could also be plunged into

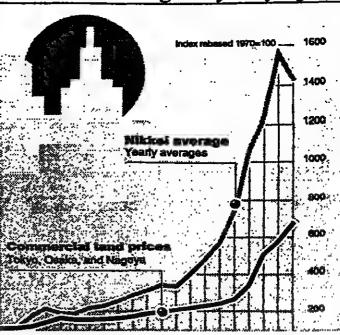
selling in the stock market. Many speculative investors, companies and individuals, borrowed heavily to bet on both markets - using land as collateral to buy stocks and vice-versa.

Property-secured loans account for about one third of bank lending – for the 12 leading commer-cial banks alone the figure was Y57,300bn (\$420bn) at the end of March, 23 per cent of all loans. Small local banks are far more

The Bank of Japan believes that even if a few small banks have to be rescued a general financial crisis is extremely unlikely. But it is sufficiently worried to have carried out studies of both the UK 1974 secondary banking crisis and the US savings and loans debacks.

Fears of a price collapse are balanced in many peoples minds by a deep-rooted belief that land prices in Japan never fall, because land has an almost-mys-tical significance in the crowded islands. While stocks have fallen. by more than 30 per cent six times since the war, land prices have fallen only once — by about 10 per cent after the first oil shock in 1974-75. "People believe that companies can sometimes go bankrupt but land will always be there," says a senior official at the Benk of Japan.

The Bank of Japan thinks that land prices have to fall in response to the increase in interest rates over the past 18 months, because like stocks, property values were artificially inflated by the surge in easy credit in the late 1908. According to National Land Agency figures, (which tend to understate price levels) Tokyo land prices more than doubled in land prices more than doubled in 1986-98 and then increased by the same multiple in Osaka and other large cities in 1988-90, often bid up by the same Tokyo-based investors who had earlier profited from the boom in the capital Mr Yasushi Mieno, the central bank governor, said recently a gradual decline would be wel-



Sums of the rising land

Stefan Wagstyl and Robert Thomson assess prospects for property prices in Japan

come. However, data from the stock market suggests hopes of a soft landing may be wishful

thinking.

Property-related stocks on the First Section of the Tokyo Stock Exchange have plunged 54 per cent since the beginning of the year, compared with a 43 per cent fall in the Nikkel index.

But a more accurate solvence indicator of land prices could be the index of golf club memberships, which are regarded as a substitute for property since they entitle the owner to a stake in the club's essets. Prices for membership are down just 19 per cent from their peak levels.

In the property market itself firm information is scarce, but

In the property market itself firm information is scarce, but real estate brokers report prices are softening, particularly in readential parts of Osaka, where the price of second-hand flats has fallen 20 per cent from its peaks. Price declines are expected to be most serious in Osaka and provincial cities because they were still going up as late as the start of 1990, whereas in Tokyo prices have been static since 1988. have been static since 1988. Indeed, in some cases, land prices in Osaka have exceeded prices in

Tokyo – for the first time ever. Banks are under heavy pressure to limit the rate of growth of real estate lending in response to controls imposed by the authori-ties and the battering they have received in the stock market.
Already one heavily-indebted
company — itoman, an Osakabased trader — has been forced
to announce plans to sell its port-

to amounce plans to sell its portfolio under pressure from its bank, Sumitomo Bank.

The banks argue their loans are safe because land hald as collateral is valued at 70 per cent of market price. But even if prices only fall 20 per cent, the safety margin could quickly be eroded by for example, mounting by, for example, mounting unpaid interest payments.

he property bulls argue that the banks' difficulties will be temporary - in the worst case there will be ready buyers for land offered in distress sales. They say the common per-ception that Japanese prices were high before the latest boom, and have since risen to ridiculous heights, is mistaken. Since 1955, the 53-fold increase in land has

(up 5.3 times) and salary increases (up 20 times). But the value of Japan's nominal gress national product has risen 46 times. Thus high Japanese land prices reflect the country's high productive capacity.

The bulls concede that prices in Osaka may have risen too sharply, but not in Tokyo, where the speculative heat went out of the market more than two years ago. Real estate brokers say there is strong real demand for land in Tokyo, particularly good central sites, from both Japanese and for-eign companies. Mr Mitsuharu Murakami, executive vice president of Kajima Corporation, the "Japan's land supply is limited.
We have continuing economic growth and less and less land.
There might be a small decrease, but not a dramatic fall."

The bears answer that the surge in property prices is differ-ent from previous land price increases because of the much heavier role of borrowed money. Deregulation of banking has allowed the big banks to raise loans from the equivalent of 30 per cent of gross national product in 1980 to more than 50 per cent now. This cut all links with reality: Mr Akio Mikuni, president of Mikuni, a credit rating company, estimates that buying a house or flat in Tokyo now costs 10-12 times the average homebuyer's annual income. Five times should be the maximum, he says. The current imbalance is "outra-

As for commercial property reuts have been rising but not a fast as prices. Moreover, a rise in interest rates has widened the gap between rent yields and money market interest rates from about 3 per cent in the early 1980s to 5 per cent.

The bulls' counter-argument is that it is a mistake to value Japanese land in terms of its potential rent income. Particularly in Tokyo, companies give an over-riding priority to central location because this brings prestige and access to information, govern-ment offices and transport. Moreover, they say, tax and legal considerations put a premium on land as an asset. For example, inheritance taxes are paid on the officially-assessed value of land, which is a fraction of the true

There are moves to reform laws to encourage owners to sell more unused land, including urban farm land. The government is considering plans for a tax on corporate land holdings. But measures which could seriously disturb the market are unlikely, particularly after this year's shock in financial markets. After all, 61 per cent of Japanese own their homes. The Ministry of Finance early this week showed its willingness to intervene in the stock market; it seems most unlikely that it would not take comparable action if the worst

Fairfax warns on debt problems

By Kevin Brown in Sydney

JOHN Fairfax, the privately-held group which owns three of Ans-tralia's four leading newspapers, yesterday warned that deterioratyesterday warned that deteriorat-ing trading conditions could push. agreements within two months.

The group said higher advertising rates and cover prices had cut net losses from A\$171.99m (\$143m) to A\$59.08m for the year to June 30. But trading condi-tions had worsened since the year end, threatening the group's ability to continue to service its

In a note to the accounts, the group said it had undrawn credit of around A\$100m, relating to a A\$1.1bn facility provided by the ANZ Banking Group and Citi-bank "If street tradition condibank. "If current trading conditions continue, the company is likely to breach certain borrowing covenants in the credit facilities in July 1991, and may do so as early as December 1990. Unless

the covenants are renegotiated or waived, such a breach could lead to these credit facilities being withdrawn," the note said.
"If the credit facilities are withdrawn without alternative fund-ing being available, the company may not be able to pay its debts,

as and when they fall due." The announcement marks a significant worsening of the group's underlying financial posi-tion since the spring, when it told the US Securities and Exchange Commission that it was unlikely to default on loan agreements

before next July.

The group's debt problems largely flow from a A\$2.1hn takeover in 1987 in which Mr Warwick Fairfax acquired 75 per cent of the group's shares and 100 per cent of voting rights from other family members. Mr Fairfax recovered day-to-day control of the group in August when he blocked a restructuring scheme

drawn up by independent direc-tors which would have reduced his holding in the company to a nominal amount

Mr Fairfax said he was working with advisers in the US and Australia to restructure the group's finances and achieve a "more viable" balance between debt and equity.

He hoped a satisfactory solution could be reached within six months, but it was too early to

months, but it was too early to provide details of the restructur-ing, which would be "a very com-plex and time-consuming task". John Fairfax publishes the Sydney Morning Herald and Aus-tralian Financial Review in Syd-ney, and The Age in Melbourne. it is the principal competitor to Mr Rupert Murdoch's News Cor-poration, which runs The Austra-lian. The group's loss was struck after almormal losses and interest charges up from A\$243.36m to A\$269.10m.

Ferruzzi severs links with top bank

By Heig Simonian in Milan

FERRUZZI, the Italian industrial conglomerate run by Mr Raul Gardini, has stunned the country's banking community by severing all links with Banca Commerciale Italiana (BCI), one of the country's leading financial

The move, which Ferruzzi says bears no reflection on the bank's operational ability or services, marks one of the biggest, but least expected, bombehells from the continuing battle for control of Enimont, the public-private

chemicals joint venture. Although Ferruzzi has taken pains not to be specific, its griev-ance appears to he in what it sees as undue political influence over BCI. Such complaints are apparently focused on Mr Luigi Fausti, a BCI executive who became one of its managing directors earlier

A long-standing employee of the bank, Mr Fausti is also close to the Socialist Party, which has

been bitterly opposed to any sale of the state-owned stake in Enimont to Ferruzzi's Montedison chemicals group. The state's 40 per cent Enimont stake is held through Emi, the public-sector energy group which is also close to the Socialists.

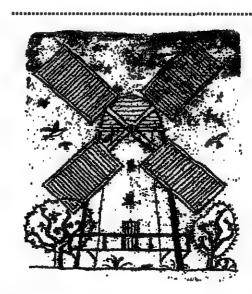
in a brief, but telling, statement last night, the bank said that, in line with tradition, it had no intention of "making any comment on the pose assumed by the Ferruzzi group"

Although large parts of Italian finance are publicly-owned, and many banks are known to be politically influenced in their commercial policy, this is the first time that differences between a private company and public-sector bank have broken out so conspicuously, or on so explosive an issue.

Observers believed it was unlikely that Ferruzzi, Italy's second-biggest private-sector con-cern, would have acted so publicly without first taking informal consulings from other leading private-sector figures. Earlier this year, both Mr Gianni Agnelli and Mr Leopoldo Pirelli spoke out year on the creeping politicisa-tion of top Italian banking

BCI is Ferruzzi's leading bank, with about L800bn (\$688m) in credit lines to the group, as well as a host of other banking relationships, including foreign exchange and international pay ments transactions. The line represent about 89 per cent of Ferruzzi's total group debt, and steps were already being taken to replace them where necessary, an official said.

Ferruzzi is already believed to have taken steps to close its accounts with BCI and repay loans outstanding. Funds have also been put aside to cover repayments for financial commitments subject to a fixed maturity



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INTERNATIONAL COMPANIES AND FINANCE

Peugeot climbs 8.8% to FFr4.95bn

By Kevin Done, Motor Industry Correspondent, in Paris

PEUGEOT of France, the third FFr7.988bn, partly under the largest European car maker, increased its net profits by 8.8 per cent to FFr4.95bn (US\$95im) in the first half of the year helped by lower tax

Mr Jacques Calvet, chairman of the French group which includes Citröen, said he was hopeful that net profits for the full year would equal or exceed the FFr10bn achieved in 1989, while group turnover would rise by about 9 per cent from FFr153bn last year.

Peugeot group turnover in the first six months rose by 5.8 per cent to FFr85.73bn, with slightly higher growth abroad than in France. Pre-tax profits for the first six months declined by 4.7 per cent to impact of continuing launch costs for the group's two execu-tive cars, the Peugeot 605 and the Citroen RM.
Mr Calvet said that total

vehicle production in 1990 should increase slightly to 225m from 2216m in 1989 and 2.08m in 1968. Peugeot expected to increase its share of total western Euro-

pean car sales to more than 13 per cent in 1990 from 12.7 per cent in 1989. This year total group vehicle sales should ed 2.25m compared with

In the first six months of 1990 vehicle output was 4.5 per cent higher than a year ago at 1.362m including a 6.5 per cent rise in diesel-powered vehicles to 416,000. Peugeot is the world's leading maker of diesel engines with an output last year of 782,000.

Mr Calvet said that demand for cars in the first half in Europe had levelled off but remained firm after five years of uninterrupted growth. The turnover of the Peugeot division in the first six months

rose by 3.7 per cent to FFr49.77bn, while Citroen divi-sion sales rose by 8.3 per cent to FFr32.13bm. Mr Calvet said that the crisis in the Middle East and the rip-ple effects of rising oil prices would bring greater uncertainty to western economies and vehicle markets where

geot was currently forecasting a slight fall in total western European new car sales this year by some 0.7 per cent from 13.39m in 1989. The impact of the Gulf crisis could be felt more heavily next

year, however, with a further 3 per cent drop in sales or a decline of 4 per cent from 1989. Peugeot is increasing its capital spending authorisations this year to FFr16bn from FFridon in 1989 and FFri2bn in 1988 with higher spending on new model development,

modernising plants and increasing capacity. Citroen will launch a new model range in the first half of next year which will be posi-tioned between its AX super-

competition was becoming more intense. He said that Peu-Olivetti executive quits after strategy rift

MR FRANCO TATO, one of the most senior executives of Italy's Olivetti computers and office equipment group, is leav-ing the company following a long-running conflict over strategy with Mr Vittorio Cassoni, the group's managing director.

The rift, which follows the resignation earlier this year of Mr Luigi Mercurio as chief executive of the group's Olivetti Systems and Networks (OSN) division, comes at a particularly sensitive time for the

Olivetti is struggling to com-bat the fall in margins and declining demand facing many

ers. Last week, it announced a 41 per cent fall in its pre-tax profits to L60.9bn (US\$52m) for the first half of this year.

The departure of Mr Tato

marks a strong reassertion of control by Mr Cassoni, who earlier this year was obliged to step back from day-to-day man-agement due to serious illness. According to Olivetti, Mr Tato had been "encouraged to leave the company on account of differences of opinion on strategy and organisation".

Industry sources say that Mr Tato, a tough and opinionated manager who has had a stormy relationship with Olivetti in recent years, wanted to push through a radically different response to the current diffi-cult market circumstances than that favoured by Mr Cas-

Although the company declines to comment, Mr Tato's solution may have included unwinding the complex division of business activities into a number of different subsid-iaries initiated by Mr Cassoni following his arrival at Olivetti

Some analysts suggest that Mr Tato's departure will create a more coherent management structure, concentrating power which is more in tune with Mr Mr Tato, who has long-standing links with Mr Carlo De Benedetti, Olivetti's chairman, is being replaced by Mr Ettore Morezzi as chief executive of Olivetti Office, the group's consumer office products subsid-Meanwhile, Mr Giorgio Pan

attoni is to become chief execu-tive of Olivetti Technologies Group.
The company has also

announced changes in the com-mercial organisation of its Olivetti Systems and Networks (OSN) subsidiary to improve and rationalise its struc-

European operations outside Italy are now being split into two separate operations.

Sasea and Baloise swap Italian insurance stakes

By William Dullforce in Geneva

SASEA, the Geneva-based investment banking group con-trolled by Mr Florio Florini, the Italian financier, and Bal-oise, the Swiss insurance company, yesterday announced a reshuffling of the holdings in Italian insurance companies which they have accumulated together over the last three

By exchanging shareholdings Sassa and Baloise are effectively separating their Italian interests. Baloise will pursue its activities through two small companies, Levante

Assicurazioni, Gence, and Nor-ditalia Assicurazioni, Milan. Sasea is taking a majority participation in De Angeli-Frus, Milan, now jointly owned, which it intends to use as a holding company for four other Italian insurance concerns. The deals also open the way for the sale of a 30 per cent stake in Compagnia Tir-rena di Assicurazioni, Rome, to Milano Assicurazioni and the Amabile and Apuzzo families, which currently control Tir-

De Angeli-Frus has sold to Baloise its 100 per cent stake in Levants, which declared a pre-mium income of L84bn (\$7im) in 1989. In July, Baloise secured a majority holding in Norditalia, 1989 premium income L170bn, by buying out Sases.

In a further step De Angeli-Frua has sold to the Swise insurer its 20 per cent holding in Tirrena and holdings of 5 cent in Lloyd Interna ale, 5.5 per cent in Societa Italiana di Assicurazioni and 3.3 cans. The three last concerns are Rome-based subsidiaries of Tirrena. Together the four had

a premium income of just over Leoobn in 1989.

Baloise is also acquiring the 10 per cent stake in Threns owned by Chamotte Unic, owned by Chamotte Unic, Amsterdam, a holding com-pany within the Sasea group. This move is intended merely to simplify the sale of Baloise and Sasea's entire holding in Tirrens. The Swiss group had announced its intention of withdrawing from Tirrena in

Swedish financial companies agree deal

By John Burton In Stockholm

THE week-long crisis that affected three of Sweden's leading finance companies appeared to be at an end yesterday after Indepen-dent/Infina solved its liquidity problems following the rescue of Nyckeln and Gamlestaden.
Independent/Infina reached

an agreement with its two main shareholders, Fermenta and Bilspedition, late on Monday evening, under which the owners pledged to strengthen the finance company's risk capital base SKr2bn through a SKr200m unsecured loan. A consortium of banks guar-anteed that it would provide short-term capital to Indepen

dent/Infina The finance company will also sell its Finax credit card subsidiary to Wasa Insurance, which will net it a capital gain of SKr200m (\$34.9m).

The sale of Finax will reduce the finance company's debt burden by SKr5bn and produce a balance sheet of

Trading resumed yesterday on the Stockholm bourse for Independent/Infina and its two stockbroking arms, Adepten and Concensus, as well as Fer-menta, following their suspen-

the crisis, which stemmed from the market's uncertainty over the finance companies' property holdings in the UK and poor economic conditions in Sweden, claimed its first executive casualty yesterday with the resignation of Mr Lars Danielsson as managing

director of Nyckeln. He will return to his previous position as administrative director of the company.

Renault bolds 1.2m shares in Volvo

RENAULT, the French carmaker, said it holds 1.281m shares in Volvo, representing 1.64 per cent of the Swedish vehicle group's capital and 0.44 per cent of its voting rights, Reuter reports.

As part of a cross-shareholding per Renault said it will ing pact, Renault said it will buy up to 10 per cent of Volvo.

Saatchi considers restructuring of £212m Euroconvertible issue

By Alice Rawsthorn in London

SAATCHI & SAATCHI, the CARRELL SAATCHI troubled marketing services company, is considering ways of restructuring its £212m (\$398.5m) Euroconvertible pref-

Saatchi also hopes to raise capital by shortly completing the sale of McCaffrey & McCall, its US advertising agency. Similarly it is considering moving from its headquar-ters on London's Berkeley Square to cut central costs.

Mr Robert Louis-Dreyfus

chief executive, said Saatchi was considering "several options" for the Euroconvertible. He hopes to finalise its restructuring within the next i8 months.
Unless the Euroconvertible

is restructured Saatchi may have to pay as much as £212m in cash - more than three in cash — more than three times its current market capi-talisation — when it comes up for redemption in July 1993. When Mr Louis-Dreyfus first joined Sastchi in January he planned to wait until 1993 before deciding how to redeem the Euroconvertible.

But the advertising industries in Saatchi's main markets
the US, UK and Australia



Robert Louis-Dreyfus: Saatchi considering several options

chi's share price has also plunged from around 250p at the start of the year to 37½p yesterday. The board is also anxious to end the uncertainty created by the publicity over its financial problems and the fate of the Euroconvertible. Saatchi is now considering the following options:

Changing the terms of the Euroconvertible so that it

converts at a lower price. • Deferring the redemption in sile

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date.

• Issuing a new form of equity to pay off the issue. The consensus among analysis is that Saatchi will probably choose the last option. However, this could involve significant dilution for its existing ordinary shareholders.
This possibility poses a serious problem for the vendors of ous problem for the vendors of KHBB, one of Saatchi's UK agencies, who are due to receive their final earn-out payment of 28m in Saatchi shares early next year. At the current share price the KHBB vendors would emerge with a 12 per cent stake in Saatchi. Given the risk of dilution they are keen to renegotiate the terms of their earn-out. Mr Louis-Dreyfus yesterday said. Louis-Dreyfus yesterday said there would be "no change in terms."

Saarchi has also been taking steps to reduce its debt. The level of net debt has already fallen from a peak of £276m to £210m at the year-end on September 30 because of the sale of subsidiaries.

The group hopes to reduce further its debt by selling more subsidiaries.

Sodexho to pull out of Wagons-Lits

By George Graham in Paris

SODEXHO. the French sodexho, the French catering group, yesterday announced its intention of performing a graceful withdrawal from Compagnie Internationale des Wagons-Lits, the Franco-Belgian tourism group with which it had tried over the nast year to form the past year to form a partnership.

Sodexho said yesterday that it had failed to achieve the nt pan taken to achieve the joint venture it had planned in the catering field with Eurest, a Wagons-Lits subsidiary, but that it had now reached an agreement with Wagons-Lits.

This agreement raised the This agreement raised the problem of unwinding the cross-shareholdings that link the two groups, and both wanted to achieve this as quickly as possible, the French company said.

Sodexho owns 20.1 per cent of Wagons-Lite, which in turn

of Wagons-Lits, which in turn owns 16 per cent of Sodezho. The departure of Sodexho,

which held 18.8 per cent of Wagons-Lits, had appeared more or less inevitable since June, when Belgium's Bruxelles-Lambart group sold its 26.75 per cent stake in the company to Société Générale de Belgique, the other leading-Belgian holding company.

This reshuffle shifted the belging of power from a

balance of power from a Sodexho/Bruxelles-Lambert exis to an alliance of Société Générale, Caisse des Dépôts, the French financial institution, and Accor, the leading French hotels

group.

A lengthy cohabitation
between Sodezho and Accur
had never appeared likely.
Nevertheless, Sodexho had
increased its stake in Wagons-Lits over the summer from 18.6 per cent to 20.1 per cent, in order to be able to consolidate the holding, while Mr Jean-Marc Simon, the new chairman.

named at Wagons-Lits by Caisse des Dépôts, said as recently as last week that say isfactory working conditions had been established for the catering joint vanture between Rurest and Sodexho.

This joint venture is admited by company officials to have taken only nebulous form, although the two sides are already co-operating on, for example, purchasing. Among the possibilities under consid-eration, however, is a partial management buy-out of Eurest's French and Italian arms, with both Sodexho and Wagons-Lits remaining as.

shareholders.
Unravelling the cross-share-holdings may, however, prove difficult in current stock market conditions, since the of the Wagons-Lifs shares held by Sodexho has dropped by 28 per cent over the past two

ement is neither an offer to sell nor a solicitation of an offer to buy these securities The offer is made only by the Prospectos.

September 14, 1990



U.S. \$2,000,000,000

International Bank for Reconstruction and Development

8%% U.S. Dollar Bonds of 1990, due October 1, 1995

Price 99.54% plus accrued interest from October 1, 1990

sies of the Prospectus may be obtained in any jurisdiction in which als announcement is circulated only from such of the undersigned as may legally offer these securities in such jurisdict

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Credit Suisse First Boston Limited

Daiwa Securities

Goldman, Sachs & Co. Lehman Brothers

IBJ International Limited

UBS Phillips & Drew Securities Limited

J.P. Morgan Securities Inc.

Merrill Lynch Capital Markets Morgan Stanley & Co.

The Nikko Securities Co., (Europe) Ltd. Paribas Capital Markets Group

Nomura Securities

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FINANCIAL TIMES CONFERENCES

REGULATION REAPPRAISED

London – 5 November, 1990

This major Financial Times conference has been called at a time when regulation of the financial services industry continues to be a controversial subject and one of considerable importance if the City is to maintain its position as a dominant centre in the worldwide investment business.

Speakers will include:

Mr Charles Nunneley

Robert Fleming Asset Management Limited

Mr Brian Quinn Executive Director Bank of England

Sir Martin Jacomb

Bardays de Zoete Wedd Holdings Limited

Mr George Nissen CBE Investment Management Regulatory
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Securities and Investments Board

Mr Christopher Cruickshank Principal Administrator, DG XV Commission of the European Communities

Mr John Young Chief Executive
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INTERN PETRÓLEO E

Region ...

INTERNATIONAL COMPANIES AND FINANCE

Street, due to its strong earn-ings record and growth pros-

"This is the type of business that is not really affected by disposable income and is basi-cally recession-proof," said Mr

David Goldman, an analyst at

Nomura Securities in New

He added: "This is a logical extension of PepsiCo's Mexican operations. Snack foods are the

fastest growing part of Pep-

low-cost Macintosh to lift sales

By Louise Kehoe in San Francisco

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APPLE Computer will this month unveil low-cost ver-sions of its Macintosh personal computer in a move to boost its share of the fastest growing

segments of market for home and portable computers.

The US company is also believed to be planning a portable model to be launched



John Sculley: emphasised

Reports from Tokyo suggest that Apple is considering an alliance with Sony, under which the Japanese company would manufacture a note-book-style computer on Apple's behalf.

An alliance with Sony would represent a change of direction for Apple, which currently develops and builds all its products.

Sony has long been an important supplier to Apple of computer displays and other components and the companies' executives have close

relationships.
Mr John Scalley, Apple chairman, recently in Tokyo for the company's annual meeting, emphasised the growing importance of alliances in the personal computer indus-

John said that alliances, particularly with Japanese companies, will be important for personal computer manufacturers in the 1990s," an Apple representative reported. He declined to comment on whether Apple was planning an alliance with Sony. in folgo however, long he reportedly confirmed that it is in discussions with Apple, while declining to provide

For Apple, which is strug-gling to regain its momentum in the low-end of the personal changuler market, the advan-tages of sub-contracting the development and manufacture of a portable Macintoch are

Apple spent two years devel-Apple spent two years developing its current Portable Macintosh, launched last year, but the product has sold poorly. Critics charge that it is too heavy and expensive compared with laptop computers compatible with international Business Machines versions.

following units and systems:

- Flare System

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in the Price Inquiry.

Apple plans | PepsiCo buys 70% of biscuit maker

By Karen Zagor in New York

PEPSICO, the world's second biggest producer of soft drinks, yesterday said it had taken a 70 per cent stake in Empresa Gamesa, a Mexican biscuit

maker, for \$300m.

The deal, through Sabritas,
PepsiCo's Mexican snack food
subsidiary, reflects the US
company's strategy of expanding its lucrative snack foods

Sabritas and Gamesa will have-combined annual sales of nearly \$1bn. PepsiCo said it would invest more than \$200m in its Mexican operations in the next five years. The New York-based company does not expect the acquisition to dilute its earnings.

In the second quarter, Pepsi-Co's profits from its snack food The market saw the acquisi-

tion as positive for PepsiCo, and at midday shares in the company were up \$% to \$25 in active trading. The company has become a frogurity of Wall Street due to the street operations rose 12 per cent, excluding one time items.

"Sabritas' strong distribution system will allow both Gamesa and Sabritas to penetrate new sections of the Mexican snack market, with improved delivery economics and added vol-ume," said Mr Michael Jordan, head of PepsiCo's worldwide

food operations.
"Gamesa's highly successful cookie business also perfectly complements our existing leadership position in chips (crisps) and sweet snacks."

Mr Wayne Calloway, Pepsi-Co's chairman and chief executive, said the investment was PepsiCo's second largest inter-national food acquisition. "We were attracted to this opportunity by Mexico's considerable economic progress and its government's commitment to free market policies."

· Coca-Cola, the world's biggest soft drinks manufacturer, yesterday said it would report "excellent" third-quarter results, thanks to the continned strength of worldwide soft

drink earnings and volume. The Atlanta, Georgia-based company said its third-quarter pre-tax gain of about \$52m for its investment in BCI Holdings, from BCI's sale of the Beatrice Company, would be largely offset by about \$49m in non-cash charges in the three months, related to Coca-Cola's US soft drink busi-

Trygg-Hansa profit slides 49%

By John Burton in Stockholm

TRYGG-HANSA, the Swedish insurance company which was introduced on the Stockholm bourse last year, yesterday reported a 49 per cent drop in operating profits to SKr389m (\$68m) for the first eight

morths of 1990.
On Monday it was revealed that Trygg-Hansa was among a group of investors which had acquired the American-based Home Insurance company, a subsidiary of the AmBase Cor-poration, in a deal said to be

worth \$970m.
The Swedish group blamed the sharp fall in profits on lesses from its stock and bond

make a forecast for the year because of uncertainty on the capital markets. rates and a sharp decline on the Stockholm bourse triggered by the Gulf crisis.

Capital losses amounted to SKr140m, compared with a profit of SKr343m during the same period last year. The company's insurance operations, however, reported a 28 per cent increase in earn-

ings to SKr529m. Insurance payments for damages rose by 14 per cent to nearly SKr3.4bn, primarily reflecting the havoc wrecked by a series of storms in Europe The Swedish group blamed at the beginning of the year. the sharp fall in profits on lesses from its stock and bond portfolio due to high interest to perform well, it could not

The results for Trygg-Hansa are better than those recently reported by its chief domestic rival, Skandia, which suffered a 99 per cent drop in operating profits to SKr12m.

Trygg-Hansa president and

chief executive officer Mr Björn Sprängare said this week that the US deal formed part of the company's strategy of expanding internationally. Home Insurance is a New York-based property/casualty insurer recioned to runk 2 nd in terms of net US premiums

Copier group chief to join Philips

MR HENE BODT, chairman of the enecutive board of Oce-van der Grinten, the Dutch copies and business systems manufac-turer, is to become a member of the group management committee at Philips, the Dutch

electronics group.

Mr Bodt's move will take place on December 1. Oce said that Mr J.V.N. Pennings, executive board member, would replace Mr Bodt, who would resign as chairman of the board. Oce has not yet decided who will replace Mr Pennings on the board.

responsible for the company's professional divisions. Mr Bodt worked at Philips from 1956 until 1986 when he resigned to become a member of Oce's board. Mr Bodt was made chairman of Oce in 1987. In the first half of 1990, Oce's

net profit rose 5 per cent to Fl 43.1m on sales up 17 per cent at Fl 1.16bn (\$663m).

Ahold, the Dutch retailer, said that it would propose a two-fur-one common share split and would seek to cancel a large block of preferred shares held by a foundation that was At Philips, Mr Bodt will be an integral part of its defence

against a takeover attempt by West Germany's Asko. The two proposals will be submitted at an extraordinary meeting of shareholders on October 30. Ahold said it would ask that its common shares be

split from a F15 per value to F12.50 per value.

The decision to split the shares was taken in line with a proposal by Ahold to list its stocks in the US on the Nasdaq trading system. Ahold is one of trading system. Ahold is one of the 10 largest supermarket operators in the US and the largest supermarket operator in the Netherlands.

Usinor plans venture with Arbed

USINOR-SACILOR, the tion by the two partners, acquisitive French state-owned. Using has steel product prosteelmaker, plans to form a duction capacity of about 28m olint vanture with Arbed, the tonnes a year, second only to biggest Luxembourg steel. Nippon Steel's 28m tonnes. Usignoup, to oversee the market nor has been expanding ing of steel beams and related recently, with purchases of speciality products.

The venture's sales volume will total about 2.4m tonnes annually, Usinor said, dwarfing the 1.7m tonnes of beam sales by British Steel, its chief European competitor. The joint venture will also co-ordinate beam produc-

INTERNATIONAL PUBLIC BIDDING

Engineering Service (SEGEN), hereby Informs that it shall

conduct an international prequalification of companies for the

contracting, with financing clause, of the enlargement of the dis-

tillation capacity at the Landulpho Alves Refinery (RLAM), located in Mataripe, State of Bahia, Brazil, which shall consist of the

- Crude Oil Tank Farm (3 tanks x 550,000 bbl)

- Water and Oil Separator - W.O.S. (420 m³/hour)

- Ammonia Dilution Unit (3,058 kg/day)

- Sour Waters Unit (100 tons/hour)

- Integrated Control Center (S.D.C.D.)

- Interconnections between Units

PETROBRÁS/SEGEN/EMPRE-NE

Re: Edict SEGEN-001/90-A

- Cooling Unit (8,000 m³/hour)

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PETRÓLEO BRASILEIRO S.A. - PETROBRÁS, through its

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The companies interested shall request the documentation

Prequalification of Companies for Enlargement of

no later than October 30, 1990, through fax number ((00) (55)

PETROBRÁS hereby informs that a submission of bid for

(021) 264-8655), indicating full address (fax and telex numbers).

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PETROBRAS

PETROLEO BRASILEIRO S.A.

owned by the Luxembourg gov-ernment. Société Générale de Belgique holds 22 per cent.

Edgeomb, the biggest US steel trading company, and West Germany's Saarstahl.

Arbed, with BFr222.1bn (\$6.9bn) of annual revenue, has co-operated previously with the French group on heavy product fabrication and mar-keting of steel rails outside mainly for producing cars.

In August, Arbed and Cock-erill Sambre, Belgium's higgest sidering merging a large part of their steelmaking operations to ensure they both had a future in an increasingly com-petitive European steel market. The companies plan to merge their interests in flat steel products, which are used

Investor rights get priority at Bear Stearns

By Karen Zagor in New York

BEAR STEARNS, the Wall Street securities house, has announced plans for a sweep-ing shareholder rights package before the company's annual shareholder meeting on Octo-

ber 29.

The package, which is subject to shareholder approval, would prohibit greenmail, golden parachutes and poison pills unless these were approved by the shareholders. About 35 per cent of Bear Stearns stock is in manage-

Stearns stock is in management hands, with about 44 per cent held by institutions.

The move was applauded by the United Thurcholders Association. "As far as we are aware, this is the first time that a major publicly-owned company, listed on the New York Stock Exchange, has proposed a package of amendments specifically intended to guarantee that shareholders have a meaningful voice in corporate affairs," said Mr Ralph Whitworth, director of the Washington-based USA.

In March, Code Energy, a Dallas-based exploration and oil field service company

oil field service company which trades in the secondary market, became the first public company to implement such a comprehensive shareholder

rights peckage.
Mr Alan Greenberg, chairman and chief executive, said:
"Our board of directors
believes that stockholders
should have a significant voice
in decisions relating to the
ownership and control of the company."

He said the amendments to

the company's certificate of incorporation were not in response to any specific attempt or proposal to acquire the company, nor was the com-pany aware of or inviting such

proposals. Bear Stearns has opted out of the Delaware anti-takeover

also volunteered a plan to keep all shareholder voting confidential by using the firm's transfer agent to tabulate proxies and ballots.

Continental Bank makes forecast

CONTINENTAL BANK expects to report third-quarter net ncome of \$35m to \$40m, Reu-

ter reports.

A change in the product mix of the bank holding company's business makes comparisons with results in last year's third quarter not valid, the company

in the 1990 second quarter, Chicago-based Continental

reported a net loss of \$57m, including a loss from continu-

ing operations of \$46m.

Non-performing assets are expected to decline from the \$748m reported at the end of the second quarter to about \$720m on September 30. Non-performing loans to ess-developed countries should

remain at or near their second-

quarter \$218m level.



JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED (Interported in the Republic of South Africa)
Registration No. (IJ.00129.06
NOTICE TO BOLDERS OF SHARE WARRANTS TO BEARER

NOTICE TO BIOLDERS OF SHARE WARRANTS TO BEARER
DIVIDEND NO. 129
Present to the section published on 20th August 1990 members are informed that the rate of exchange at which payments of the above dividend one to be despatched by the United Kingdom Paying Agents on 12th October, 1990 is 1 send of 100 cours equals 20.576131p United Kingdom paying Agents is therefore equivalent to 18.5185p per abuse. Helders of share wareauts to bours are informed that payment of Dividend No. 129 will be made on or after 15th October, 1990 upon sumender of Coupen 130 at the Office of Burelays Bank Pic, Stock Exchange Services Dept., 168 Feathmach Smart, London EC29 3HP.

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AMOUNT PAYABLE WEERS A U.S. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS Loss: United Kingdom Income Tax

@ 13.46% on the gross dividend (See Notes 1 & 2 below)

AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS

ivalent in United Kingdom cu

of dividend declared

13.8889 Compose upon to listed on forms obtainable from Bernleys Bruk Pic and deposited for examination on any week-day (Saturday excepted) at least seven clear days before the

LONDON ECZM 3XE 3rd October 1990

BARNATO BROTHERS LIMITED A.F. Smith (Min)

ent of the dividend for use for United Kingdom Income and Sortex. purposes is 18.5185p per share.

(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholdent Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced zero of 13.46% instead of at the standard rate of 25% represents an allowance of coudit at the rate of 11.54% in respect of South African Non-Residents Shareholdens' Tax. This Notice does not constitute an offer of securities of Provinsbanken A/S or of Den Danska Bank Akticselskab but does require action on the part of the holders of the Notes referred to below.

Notice of a Meeting of the holders of the outstanding

U.S. \$100,000,000

Floating Rate Notes Due 1991

Provinsbanken A/S now merged with Den Danske Bank Aktieselskab

NOTICE IS HEREBY GIVEN that a Meeting of the holders of the above Notes (the "Noteholders") issued by NOTICE IS HEREBY GIVEN that a Meeting of the holders of the above Notes (the "Noteholders") issued by Provinsbanken A/S (the "issuer") and convened by Den Danske Bank Aktieselskab (the "Successor") will be held at The Chuse Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD on 26th October, 1990 at 10.00 a.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of a Fiscal Agency Agreement (the "Principal Fiscal Agency Agreement") dated 25th September, 1986 made between, inter alia, the Issuer and The Chase Manhattan Bank, N.A. (the "Fiscal Agent") relating to the Notes as amended by a First Supplemental Fiscal Agency Agreement dated 2nd October, 1990 (together with the Principal Fiscal Agency Agreement").

The Resolution if passed, will modify, inter alia, the Terms and Conditions of the Notes and approve the formal substitution of the Successor as principal debter under the Notes and the Coupons and the discharge of the Issuer from its obligations and liabilities under the Notes and Coupons (including waiver of any right against the Issuer and/or the Successor to request early repayment of Notes as a result thereof).

Details of the background to the merger, and the reasons for the proposed waiver and modifications and the Extraordinary Resolution, are set out below.

EXTRAORDINARY RESOLUTION

EXTRADREDIMARY RESOLUTION

That this Meeting of the holders (the "Noteholders") of the outstanding U.S. \$100,000,000 Floating Rate Notes; Due 1991 (the "Notes") of Provinsbanken A/S (the "Issuer") issued subject to the Fiscal Agency Agreement (the "Principal Fiscal Agency Agreement") dated 25th September, 1986 made between, inter alia, the Issuer and The Chase Manhattan Bank, N.A. (the "Fiscal Agent") as fiscal agent in respond of the Notes as amended by a First Supplemental Fiscal Agency Agreement dated 2nd October, 1990 (togother with the Principal Fiscal Agency Agreement, the "Fiscal Agency Agreement"), resolves that:

- Agreement, the "Fiscal Agency Agreement"), resolves that:

 (1) the merger between Aktieselskabet Kjoobenhavrs HandelsBank (Copenhagen HandelsBank A.S.),
 Provinsbanken AS and Den Danske Bank at 1871, Aktieselskab made with offect from 5th April, 1990 shall be
 approved, and shall not entitle any Notecholder to requect early repayment of his Note(s) in accordance with the
 provisions of the Notes or the Fiscal Agency Agreement; and

 (2) Den Denske Bank Aktieselskab shall be substituted as the principal debtor in place of Provinsbankon A/S with
 respect to the Notes and Coupons, and the Notes and Coupons shall be amended in such manner as shall be
 necessary to give effect to such substitution.*

On 8th February, 1990 the Boards of Directors of Aktiesetslabet Kjoebenhavne HandelsBank (Copenhagen HandelsBank) ("Copenhagen HandelsBank") and Provinsbanken AS ("Provinsbanken") and the Supervisory Board of Den Danske Bank et 1871, Aktesetskab ("Den Danske Bank") issued a marger statement amouncing that they had resolved to seek the creation of a merger of the three banks with effect from 1st January,

As stated in the merger statement, the merger of the three banks was stated to be of material benefit to each of them. The merger would enable substantial economies of scale in relation to business, invostment and expenditure, at home and abroad and would enable achievement of such levels of capacity, officency and flexibility as are crucial to operations undertaken in an acreasingly competitive environment, The principal feature of the merger as it affects the Noteholders is that Don Dansko Bank is the company which is continuing and Copenhagen HandelsBank and Provinsbankan are the companies to be discontinued.

manoesbank and Provinsbankan are the companies to be discontinued.

The merger having been approved by the relevant Annual General Meetings of the throe banks being 19th March, 1990 for Copenhagen HandelsBank, 20th March, 1990 for Provinsbanken and Den Danske Bank, and further for Den Danske Bank at an Extraordinary General Meeting on 5th April, 1990, at which date the merger became effective by way of a universal succession whereby all rights and obligations of Copenhagen HandelsBank and Provinsbanken were automatically transferred to and taken over by Den Danske Bank being the continuing logal entity and whereby Copenhagen HandelsBank and Provinsbanken were automatically discontinued. At such Extraordinary General Meeting of Den Danske Bank, Den Danske Bank also changed its name to Don Danske Aktieselskab.

PURPOSE OF MEETING

The purpose of the meeting of Noteholders is to put to the Noteholders the above Extraordinary Resolution. Under the terms of the Notes, the merger entitled any Noteholder, by notice to the issuer through the Fiscal Agent, to request early repayment of any Notes held by him.

The Successor has accordingly convened a meeting of the Noteholdere by this Notice to request their agreement by Extraordinary Resolution to the matters contained in such Extraordinary Resolution.

The attention of Noteholders is particularly drawn to the quorum requirements for the Meeting and for an adjourned Meeting which are set out in paragraph 2 of "Voting and Quorum" below. Copies of the Fiscal Agency Agreement (including the terms and conditions of the Notes), copies of the Mergor Prospectus, the Mergor Statement with the joint financial statement and draft opening balance sheet ettoched, and the opinion and valuation certificate of the valuers pursuant to Section 134(a) of the Danish Companies Act, are available for inspection by Notsholders at the specified offices of the Paying Agents set out below, none of whom should be taken to be expressing any opinion on the ment of the proposed resolution.

MOLING WHO Officially

A holder of a Note wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note, or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s) in respect of which he wishes to vote.

A holder of a Note not wishing to attend and vote at the Meeting in person may either deliver his Note or voting personally to the person whom he wishes to attend on his behalf or give a voting instruction to a Paying Agent (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing such Paying Agent to appoint a proxy to strend and vote at the Meeting in accordance with his instructions.

Any Notaholder who wishes to obtain a voting certificate or give voting instructions in respect of his Note(s) either (f) to be deposited at the offices of any of the Paying Agents or (ii) to be haid in the Euroclear Clearance System in a "blocked" account or by Cedel S.A. in a blocked internal account. Once deposited or blocked for either of these purposes, such Note(s) will not be released to the Noteholder by the relevant Clearing system until the earlier of (a) the conclusion of the Meeting or any adjourned such Meeting, (b) the surrender of the voting certificate issued in respect of such Note(s), and (c) in the case of a Paying Agent, the surrender, not less that 48 hours before the time fixed for the hotding of the Meeting or any adjourned such Meeting, of the voting instruction receipt given by the relevant Paying Agent in respect of such Note(s), and the surrender, not less than 48 hours (or such longer time as may be agreed pursuant to arrangements made between Cedel S.A. or Euroclear and any Noteholder) before the time fixed for the holding of the Meeting or any adjourned such Meeting of the Meeting or any adjourned such Meeting at the surface laters and any Noteholder) before the time fixed for the holding of the Meeting or any adjourned such Meeting at the surface laters and the surface laters and the surface of the surface. Meeting, of the voting instruction given in respect of the Notes.

The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being prodes and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding. If within 30 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days and to such time and place, as may be designated by the Chairman of the Meeting. At such adjourned fileeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

whatever the principal amount of the Notes so hear of representable. Every question submitted to the Meeting shall be decided in the first instance by a show of hands unless a politic duly demanded by the Chairman of the Meeting or by the Successor or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S. \$10,000 principal amount of Notes so produced or represented by the voting certificate so produced, or in respect of which he is a proxy, in the case of an equality of votes, both on a show of hands and on a poll, the Chairman shall have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder.

To be passed, the Extraordinary Resolution requires the affirmative vote of Noteholders present in person or represented by proxy or voting certificate representative, a majority of not less than three-quarters of the votes cast thereon. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at the Meeting and whether or not voting, and all the Couponholders.

FISCAL AND PRINCIPAL PAYING AGENT The Chase Memberton Clank, N.A. Woolgate House Coleman Street London EC2P 2HD

Chase Menhatten Benk Luxambourg S.A.

Sangue Bruxelles Lambert S.A.

63, rue du Rhône CH-1204 Geneva Provinsbanken A/S By its successor Den Danske Bank Aktieselakab

Chase Manhattan Bank (Switzerland)

TAYLOR WOODROW INTERNATIONAL Gariplo

US\$25,000,000 Currency depositary receipts due 1991

Srd October, 1990

provisions of the prospectus, notice is hereby given that for the interest period from the 28th September, 1983 to the 28th September, 1990 the Interest amount payable per nominal US\$500,000 will be

At a rate of 6.8% X (134.05)

COMPANY NOTICE

ICI FINANCE (Notherlanda) N.V. A DOWN OF THE THESE ADDRESS ACCORDING OF

the above company can be obtained from the office at.

Winhoven 107 3011 WN Rotterday The Netherland

Guaranteed by and Convertible into Ordinary Shares of

FINANCE B.V.

U.S.\$20,000,000 83/4% Convertible Guaranteed

TAYLOR WOODROW PLC

Notice is hereby given that Taylor Woodrow International Finance B.V. will redeem all outstanding Bonds of this Issue on 3rd December, 1990. Bonds and Coupons will become void unless presented for payment within the periods of ten years and five years respectively. Under the conditions of the Bonds and the provisions of the Trust Deed, Notice is further given that, the Conversion Right will couse at the close of business on 1st November, 1990. Up to and including that date conversions must be affected as the Conversion Right that date conversions may be effected at the Conversion Price of 60p per Ordinary Share at the fixed exchange rate of \$2.4027 = £1.

The nominal value of Bonds of this issue outstanding and unconverted at the close of business on 1st October, 1990, the Intest practicable date prior to publication of this Notice, was \$898,000 and the middle market price of Taylor Woodrow plc Ordinary Shares at the close of business on the same date, was 203.5p ad per Ordinary Share.

No payment shall be made upon conversion for interest accrued on any Bond from and including 1st June, 1990 to the date of conversion in respect of the 898 Bonds each of US\$1,000 which currently remain unconverted. Conversion forms are available from the office of the Principal Paying Agent or any Paying Agent set out below:-

> Principal Paying Agent Hambros Bank Limited 41 Tower Hill London BC3N 4HA

Trast Company 654 Madison Avenue

Paying Agents

Morgan Guaranty Trus Company of New York Avenue des Arts 35 B-1040 Brussels

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MRO 2125

INTERNATIONAL **MERGERS & ACQUISITIONS**

The Financial Times proposes to publish this survey on:

18th October 1990

For a full editorial synopsis and advertisement details, please contact:

> Robert Forrester on 071-873 3206

or write to him at:

Number One Southwark Bridge London SE1 9HL

FINANCIALTIMES

September 17, 1990

\$20,000,000

Limited Partnership Interests

Initial closing

SILLERMAN COMMUNICATIONS PARTNERS, L.P.



All these securities have been sold, this announcement annears at a se

EVODE

GROUP

Cumulative Redocmable Dollar Preference Shares provided by:

US\$21,500,000

ISWEST CAPITAL

Structured Finance

One Canterbury Green Stansford, CT 06912 203 352-4057

August 1990

MERCHANT BANKERS TO

150 EAST 58TH STREET, NEW YORK, NEW YORK 10155 (212) 980-4450

The Republic of Venezuela

Notice

To the holders of the U.S. \$100,000,000 Floating Rate Notes Due 1993 of

The Republic of Venezuela

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above mentioned Notes (the "Notes") adjourned to 28th Reprember, 1990, the resolution set out in the Notice of Meeting dated 14th August, 1990 and the Notice of Adjourned Meeting dated 11th September, 1990 and published in the Financial Times and the Luxemburger Wort on those dates was duty passed by the requisite majority as an Extraordinary Resolution of the Noteholder.

A copy of the Extraordinary Resolution is available for inspection by Notaholders at the specified offices of the Fiscal Agent and the other Paying Agents, the addresses of which are set out below.

PISCAL AGENT AND PRINCIPAL PAYING AGENT Bankers Trust Company

1 Appoid Street, Broadgate, London EC2A 2HE

PAYING AGENTS Barriors Trust Luxembourg S.A. P.O. Bar 607, 14 Soulevard F.D. Roosevelt, L-2450 Luxembourg

Swiss Bank Corporation

Dated 3rd October, 1990

Bankers Trust Company for and on behalf of the Republic of Venezuela

The Republic of Venezuela Notice

To the holders of the U.S. \$262,720,000 Floating Rate Notes Due 1992 to 1995

The Republic of Venezuela

NOTICE IS HEREBY GIVEN that at a Meeting of the holders (the "Noteholders") of the above mentioned Notes (the "Notes") adjourned to 28th September, 1990, the resolution set out in the Notice of Meeting dated 14th September, 1990 and the Notice of Adjourned Meeting dated 11th September, 1990 and published in the Financial Times and the Luxemburger Wort on those dates was duly passed by the requisite majority as an Extraordinary Resolution of the Noteholders.

A copy of the Extraordinary Resolution is available for inspec Noteholders at the specified offices of the Fiscal Agent, the other Agents and the Registrar, the addresses of which are set out below. FISCAL AGENT AND PRINCIPAL PAYING AGENT

Barriors Trust Company 1 Appoid Street, Broadgate, London EC2A 2HE PATOVO ACIENTO Bankers Trust Luxembourg S.A. P.O. Box 807, 14 Boulevard F.D. Roosevell, L-2450 Luxembourg

Series Bank Corporation vorsing, CH-4002 Basis, Switzerland REGISTRAR

Bankers Trust Company
Corporate Trust and Agency Group, Four Albany Street,
New York, New York 10015, U.S.A.

Dated 3rd October, 1990

Bankers Trust Company for and on behalf of the Republic of Venezuela

SAGA PETROLEUM A.S.

US\$95,000,000 101/2% Unsecured Notes due 1993 Notice is hereby given that, in accordance with Condition 13 of the above Notes and Clause 15 of the Trust Deed dated 18th August, 1988 by which the Notes are constituted, the Trust Deed has been amended by means of a First Supplemental Trust Deed dated 5th March, 1990. The Notes are no longer subordinated and rank pair passu and without any preference among themselves and at least equally with all other unsecured and unsubordinated obligations of the Issuer.

INTERNATIONAL COMPANIES AND FINANCE

FSI hit by worsening S African economy

By Philip Gawith in Johannesburg

THE MIXED results produced by the four operating compa-nies of FSI, the South African industrial conglomerate, in the six months to June reflect the deteriorating economic environment and the punitive impact of carrying debt when interest rates are high.

Finance charges for the four

Finance charges for the four companies were in all cases at least 50 per cent higher than in the same period last year and 113 per cent in the case of W&A Investment Corporation. Mr Jeff Liebesman, chief executive, said the high charges reflected higher interest rates and borrowings associated with acquisitions. with acquisitions.

W&A is the vehicle in terms

W&A is the vehicle in terms of a recently announced restructuring which will become the holding company for FSFs worldwide interests. Despite the high finance bill, W&A managed the best performance in the group. Turnover increased to R1.24bm (3482m) from R1.03bn and operating profit was 26.9 per cent up at R145.7m. Attributable profits were 6.7 per cent up at R31.5m.

FSI, Runts and Walcor all showed increased operating profits, but FSI's attributable Profit was unchanged at R31.3m while Hunts and Teamcor saw attributable profit decline respectively by 4.7 per cent to R36.2m, and

28.5 per cent to R15.4m.
Mr Llebesman said the results were "satisfactory under the deteriorating economic conditions that existed nomic conditions that existed in the first half of the year." He added: "We are confident that our strategy of focusing on improving efficiencies and operating margins, combined with ongoing attention to asset management, is right for these times.

"The operating companies are moducing acceptable prof-

"The operating companies are producing acceptable profits under today's unstable trading conditions and high interest rates and will benefit immediately from any improvement in demand or easing of interest rates."

Mr Liebesman said the group anticipated significant benefits from the restructuring which removes some interest. **Bell Resources in A\$1bn**

ing which removes come inter-mediate holding companies, refines the group's financial structure and increases WAA's interests through the acquisi-tion of FSI's scaffolding busi-nesses and other interests.

W&A's earnings per share were 6.6 per cent higher at 41.9 cents per share and the dividend was raised to 15.5 cents per share from 12

BELL Resources, the the book values of investments

loss as Bond deal sealed

Australian resources group 58 per cant owned by the troubled Bond Corporation, said late yesterday that it had comyestarday that it had com-pleted the purchase of Bond Corp's Australian brewing business, and set up its joint venture with Lion Nathan, the New Zealand brewing group, Reuter reports from Perth. Bell Resources said it would change the name of the brew-ing access to National Brawing

ing assets to National Brewing Holdings Ltd as soon as possi-

Before completion of the deal was announced, Bell Resources unveiled a sharp rise in net losses for the year to June to A\$1.09bn (US\$908m), up from a losses of A\$306.15m previously. This mainly reflected writedowns on investments, includ-ing one for a deposit on its -what was at the time uncom-pleted - acquisition of Bond

Corp's brewing assets.
Mr Geoff Hill, Bell
Resource's chairman said:
"The overall loss for the year is attributed to the significant provisions, which in the opin-ion of the directors were required to be made against related companies.

and debt due to the group."

After total provisions of A\$1.07bn, the written down value of the investments is A\$337.4m, Mr Hill said. The result left Bell Resources with

net asset becking of 7 cents a share, compared with A\$1.88 the year before.

Mr Hill said the Australian Stock Exchange had refused Bell Resources' request to delay lodging the results to allow inclusion of the brewery acquisition and its then proacquisition and its then pro-posed joint venture with Lion Nathan.

"In the opinion of the directors, the results are likely to improve through reassessment of asset values on completion of the brewing transaction," Mr Hill said. An amended statement would be provided to the stock exchange follow-ing completion of the brewing deal.

Bell Resources sales fall 38.1 per cent to A\$804.47m from A\$1.2bn. Other revenue, which fell 79.4 per cent to A\$61.28m, included A\$42.8m of interest income owed by Bond Corp

Wing Tai profits halved

By Joyce Quek in Singapore

WING TAI Holdings, the Singapore garment-manufacturing-to-property-development group, yesterday posted interim profits halved by higher interest expenses. It also revealed that the

results could have been far worse but for a change in accounting policies.

However, the directors expect the group's performance in the year to be maintained at a satisfactory level, the Gulf

crisis notwithstanding.
Though group turnover for

haived to S\$16.9m and S\$9.5m respectively. Earnings per share fell 6.9 cents to 5.4 cents this June but the net tangible assets per share rose from 70

Wing Tai's directors attri-buted the poor showing to a \$22.4m profit booked for com-pletion of a property in 1989 that had not been repeated this year and to interest expenses on financing acquisition of investment properties not being matched by increases in rental income.

the six months to June rose 8
per cent to \$\$182.2m
(US\$104m), pre-tax profits and attributable profits were

Associates' contributions fell 42 per cent to \$\$2.4m in June.
A first and final dividend of 16 cents is payable on 15 January. Associates' contributions fell 42 per cent to \$\$3.4m in June.
A first and final dividend of 16

HOLDING PARISIEN DE COURTAGE

The Board of Directors of HOLDING PARISIEN DE COURTAGE -ALAIN GAYOUX S.A. - MAISON RAYNAUD S.A., which met on the 26th of September 1990 at their main office: 59/61 rue La Fayette, 75009 PARIS, have agreed on the principle of a merger by takeover of MAISON RAYNAUD S.A. by ALAIN GAYOUX S.A. and have decided on the following corporate name;

HOLDING PARISTEN DE COURTAGE GAYOUX - RAYNAUD

SAGA PETROLEUM A.S.

US\$150,000,000 111/2% Unsecured Bonds due 1995 Notice is hereby given that, in accordance with Condition 13 of the above Bonds and Clause 15 of the Trust Deed dated 21st November, 1985 by which the Bonds are constituted, the Trust Deed has been amended by means of a First Supplemental Trust Deed dated 5th March, 1990. The Bonds are no longer subordinated and rank parl passu and without any preference among themselves and at least equally with all other unsecured and unsubordinated obligations of the Issuer.

Challenging times ahead for Unisys

Louise Kehoe on the US company's attempts to regain profitability

r James Unruh, president of Unisys, the \$10bn US computer and defence group, is not los-ing any sleep over Wall Street's swingeing response to his decision, last week, to sus-pend payment of shareholder dividends.

With Unisys' stock price languishing at an all-time low of \$5, the potential for a takeover bid is naturally a matter for

apeculation.

"I don't worry about it," Mr
Unruh claimed. "If you did not
want the company to be
acquired, what would you do?
You would fix it up. If you
were looking for a takeover
bid, what would you do? You
would fix it up. Either way I
know what I have to do."

Fixing up Unisys will not,
however, be easy. The company suffered losses of \$639m
in 1989, and has lost \$45m so

pany surrered losses of \$539m in 1989, and has lost \$45m so far this year.

With third-quarter losses also anticipated, Mr Unruh has stopped promising profits for the year as a whole, although he still looks for a stronger founth granter.

fourth nows and a stronger fourth quarter.

Formed four years ago as the result of the merger of Sperry and Burroughs, two large sec-ond-tier computer manufacture. ond-tier computer manufactur-ers, Unisys started life with grand ambitions. Mr Michael Blumenthal, Unisys chairman, and former president, aimed to build Unisys into an industry giant rivalling \$50bn Interna-tional Business Machines. His successor, Mr Unruh, Is more prasunatic.

more pragmatic.

"Remaining one of the top five [computer companies] is adequate to be a world player," he said. "I don't focus on growth. I must improve the financial performance of the

financial performance of the company, then I will worry about growth."

By his own admission, 1989 was a disaster for the company. An important mainframe product was seriously delayed. US computer sales stagnated and, to top it all, Unisys' defence division was charged with misdeeds that led to its

suspension as a US Defence Department supplier for three

So far 1990 has been better, but has not lived up to expecta-tions. "We have made progress, but I am disappointed. We had hoped that the economic envi-ronment might have been more hospitable," said Mr

He faces several challenges. A former financial executive, his primary focus is upon the bottom line. In contrast with his company's financial health with little apparent

Regaining profitability is his top goal, but he is also deter-mined to reduce the heavy \$3.6bn debt load that has hung over the company since its

By selling closed manufacturing plants and reducing inventories, and by last week's action to suspend dividend payments, Mr Unruh expects to reduce the debt by \$600m to \$900m this year, and at least that much next year.

that much next year.
That will require asset sales, he acknowledges, as well as further cuts. Jobs will be axed and although he will not be specific, it seems he is contemptation, it seems he is contemptation. plating a significant divest-

Industry analysts have spec-ulated that Unisys might sell its Japanese operations, or divest Timeplex, a networking company it acquired several

Mr Unruh sees little prospect for growth in the company's defence operations, and said that he would continue to run this part of the company "for financial performance", making cuts wherever necessary.
Unisys has reduced to a trickle its defence-related research and development spending and the division is now operating at a profit, Mr Unruh says.

Despite the difficulties, Mr
Unruh remains convinced that

es Unruh: 1989 was a

the merger was "the right thing to do to boost the eco-nomic strength of the company and give it the advantages of

The company's problems were not caused by the merger, he maintains. Rather, he sees it as a victim of slowing mar-kets and competitive pressures. Even Mr Unruh admits, however, that the timing of the combination of Sperry and Burroughs might have been better. We have had to integrate the two companies at the same time that we are dealing with an industry transformation [to open systems]," he said. The merger "would have

Open systems have "altered the cost structure of the entire industry", he observed.
"You cannot sell a standard

been much better five years

'hox' in the same way that you sell a proprietary system."

Like other leading computer companies, Unisys expects a greater portion of its revenues to come from software and services and already regards inde-pendent "systems integrators", who put together turnkey systems for businesses, as

prime competitors.
Unisys plans to focus on spe-cific market sectors where it

and software. Among its favourites are airlines and

One of the most urgent tasks facing it is to draw its dispa-rate collection of computer rate collection of computer products, inherited from Sperry and Burroughs, into a cohesive product line.

Unisys is also adapting to an industry-wide trend towards standards-based computer systems and away from proprieters.

rystems and away that proper etary systems.

This week it laid out its "road map" for how its current and future products will work together and with those from other vendors in the 1990s. In common with its competitors,

The company aims, however, to build bridges between open standards and existing proprietary products. "Open standards will be the glas between

Unisys is emphasising stan-

dards will be the gine between proprietary systems and Unix." Mr Unruh said.

Despite claims to the contrary, Unisys' vision of the future is not altogether different from that of its leading competitors. Digital Equipment, NCR and Hewlett-Packard have all enunciated similar strategies.

ard nave at another arms, for an arms, to differentiate its plans. "A distributed, multi-vendor philosophy is implicit in the design," Mr Unruh said. "It is an information network rather than product-based architecture."

Unisys is, however, datermined to find ways to "build value added expeditities on too of standards", to differentiate its products. It also puts a stranger emphasis than most stronger emphasis than most upon the ability to link com-puters manufactured by different companies.

Missing from its amouncement this week, however, were significant implementations of the Unisys architecture. Unisys said it would introduce a steady stream of products this year and next as part of the architecture initiative".

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News Corp 'cannot explain' sharp fall in share price

By Kevin Brown in Sydney

NEWS CORPORATION, the Adelaide based international media group, yesterday told the Australian Stock Exchange the Australian Stock Exchange it could not explain recent sharp falls in its share price.

The group was responding to a quary from the exchange following a fall last week in the share price to A\$6.50 from A\$3.84. The shares moved up 60 cents to A\$7.10 in a rising local market bacteries. local market yesterday, to stand at just less than half

their high for the year.

Analysis say the market is concerned about News Corporation's short-term debt of A\$2.95bn (US\$2.45bn) and the

ability of the group to generate sufficient earnings to reduce it.
Mr Keith Brodie, company
secretary, said the News Corporation board was not in pos-

session of information which could explain the price fall, and was "unable to offer any explanation". He added that the board was unaware of any which was not available to the market. But, he appeared to indicate that News Corporation might make a significant announcement soon. Asked by the exchange whether there were "matters of importance that the company is about to announce," Mr Brodie said:
"There are not matters of a
negative nature."

Mr Rupert Murdoch, News Corporation chairman, indi-cated in New York last week that the group was discussing the rescheduling of its short-term debt, which he said was too high.

TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

NIPPON PAINT CO., LTD.

(the "Company") Issued in conjunction with an issue by the Company of U.S.\$150,000,000 41/4 per cent. Notes Due 1993

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Notice is hereby given pursuant to Clause 4(C) of the Instrument dated 18th May, 1989 under which the above described Warrants were issued that as a result of the issuance of U.S.\$150,000,000 47/s per cent. Notes the 1994 with Warrants on 27th September, 1990 by the Company with the initial subscription price per share of Yen 769 determined to 18th September, 1990 being less than the current market price of Yen 916.20 per share applicable as at that date, the Subscription Price at which shares are issuable upon exercise of the Warrants has been adjusted as follows:

 Subscription Price before adjustment: Subscription Price after adjustment: Effective Date of the adjustment:

¥1.009 per share ¥994 per share 27th September, 1990

3rd October, 1990

NIPPON PAINT CO., LID. By: The Mitsubishi Bank, Lim as Principal Paying Agent

Curação Depositary Receipts

of PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., amounces that Pioneer Electronic Corporation has declared an interim dividend of Yen 10 per share for the financial year 1990, which will be payable as from October 5th 1990 at the office of Pierson, Heldring & Pierson N.V. This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement wille be available to holders of CDR's against surrender of compon 33 less 20% Japanese withholding tax, to the effect that per CDR's

5 Depositary Shares \$ 2,92 (3,10) 10 Depositary Shares \$ 5,84 (6,20) and 100 Depositary Shares \$ 58,40 (62,-) is paid.

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until October 28th 1990 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the benificial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Japan. In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange

unless otherwise instructed. Amsterdam, September 27th 1990

N.V. Nederlandsch Administratie- en Trustkantoor

Federal Business Development Bank

de développement (An agent of Her Majesty in right of Canala)

Canada Australian Dollars 50,000,000 19 per cent. Notes due 1990 (Redeemable at the option of FBDB at maturity in U.S. Dollars)

NOTICE IS HEREBY GIVEN that, in accordance with Clause 4 (d) of the Terms and Conditions of the Notes, FBDB has elected to redeem the Notes at maturity in U.S. Dollars, on 11th October, 1990. The amounts payable upon presentation and surrender of the Notes will be U.S. \$740.00 per A\$1,000 Note and U.S. \$3.700.00 per A\$5,000.00

The amounts payable upon presentation and surrender of Coupon Number I will be U.S. \$140.60 per A\$1,000 Note and U.S. \$703.00 per A\$5,000 Note. Presentation and surrender of the Notes and Coupons should be made at the offices of the Fiscal Agent or any of the Paying Agents listed thereon.

Bankers Trust Company, London

Agent Bank

Banque fédérale

INTERNATIONAL CAPITAL MARKETS

Treasuries gain ground despite oil price rally

By Karen Zagor in New York and Deborah Hargreaves in Londo

US Treasuries continued to trace the movement of oil prices vesterday marning, with the long bond opening on a strong note, thanks to a sharp decline in oil, before giving up to the control of the c some of its gains as oil prices

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recovered.
Early morning bond prices were also supported by the 11 per cent rise in the Nikkei

stock average.

The Treasury's bellwether 30-year bond gained it at the start of trading, but by mid-session had fallen back somewhat, rising it point at 39% to yield 8.83 per cent Short-dated maturities gained about % point.

The Federal Reserve added

liquidity to the system by arranging overnight system repurchase agreements when Fed funds were trading at 84 per

Although the move was more aggressive than expected, it was seen as a response to the firmness of Fed funds rather

GOVERNMENT BONDS

than a sign of an easing of monetary policy.
Although the market will

continue to keep a close eye on the Fed's open market operations for indications of a change in policy, it is generally believed that the Fed will wait for Congressional approval of the budget deficit reduction package before making any

Oil prices continue to be the main impetus behind bond market movements yesterday morning: November crude eased \$1.29

to \$35.80 a barrel at the start of trading in response to easing tensions in the Gulf and to reports that OPEC has increased all output, led by

Saudi Arabia.

But by mid-day, November crude was quoted down 89 cents at \$36.20.

THE WEST German government bond market staged a rally yesterday when cash market prices rose 85 planning at the fixing of the 8% per cent 10-year bond to 96.98 offering a yield of 9 per cent.

The firmer troop in the man-

ket prompted the government

		Coupon -	Red Date	Price	Change	Yest	Meek	Month age
UK GALTS		13.500 9.000 9.000	09/92 03/00 10/08	101-21 84-18 83-21	+03/32 +03/32 +04/32	12.52 11.76 11.11	12.57 11.77 17.16	12.36 11.70 11.11
LIS TREAS	LIPRY "	8.750 8.750	08/00 08/20	100-10 99-03	+07/32 +07/32	8,63	9.00 0.14	8.86
JAPAN	No 149 No 128	4.800 6.400	6/99 03/00	82.5235 92.2748	+0.894 +1.191	8.24 7.82	8.65 8.18	4.09
GERMANY		8.500	D8/00	26.7500	+0A10	9.00	9.10	4.83
FRANÇE	BTAN		11/95 02/00	94.9217 88.3800	+0.282	10.31	10.52 10.68	10.26
GANADA -		10,500	07/00	96,8000	+0.850	11.04	11.45	10.78
NETHERL	MDS	9.000	87/00	98.6300	+0.280	9.23	8.28	8.95
AUSTRALL	<u> </u>	13.000	07/00	97.2739	+0.157	13.50	23.70	13.50

norning session Prices: US, UK in 32nds., others in decime

After that, at the open of the London market, there was a general realisation that the price rise had been overdone and yields moved up again to

Nevertheless, this is the

Japanese investors were

cheered by the drop in oil prices and a brief rumour that

iraq would pull out of Kuwait.

mGIL/T-EDGED securities in

the UK also saw a better day

after moving substantially higher at the opening of the market in a reaction to stron-

ger prices for US Treasury bonds which had moved up

However, the market lost a

bit of its advance later in the

day when the price for a 11%

per cent benchmark bond maturing in 2003/07 was in higher at 1004 offering a yield

with Swiss government has cancelled a bond issue of around SFr250m, originally pencilled in for launch on October 11, the Swiss Finance Ministry said.

strongest point the market has reached since the end of

8.25 per cent.

overnight,

of 11.71 per cent.

to sunounce it would set the terms for its next issue of 8.16 per cent at one point, but bunds on Monday. terms for its next issue of bunds on Monday.

market over the last two days means the government could get away with a coupon of around 9 per cent on its next issue for which it is likely to auction DM6bn to DM8bn

However, although the mar-ket has appeared firmer, commentators say there is a lack of confidence among investors that the German market can

absorb much more paper.
The government is expected to issue a new bund every month until the end of the year in a bid to cover the rising

The German market has performed better than most other government bond markets in the past month, but this has left the German banks holding much of the paper since for-eign investors have largely sold out of the market.

The market's performance will also limit its upside this week as other leading markets experience a surge in prices. In London, futures prices rose rapidly to a level of 81.25 yesterday after a close on Mon-day of 80.98, but after rising further, the market closed at around 81.24

German financial murkets are closed today for the unifi-cation of the two Germanys.

MIN JAPAN, government bonds followed the strong rise in equity market prices as the market experienced a short

The yield for the benchmark

Canadian state energy group to be sold off

By Bernard Simon in Toronto

THE Canadian government has put the wheels in motion for its biggest-ever privatisa-tion by tabling legislation in parliament for the sale of energy producer Petro Canada. Mr John McDermid, privati-

sation minister, said an initial share offering will give the public a 15 per cent stake in the company. Further tranches will follow. Foreign ownership will be limited to 25 per cent, with no one single shareholder

Mr McDermid said that the first tranche of shares is unlikely to be offered before early next year. The precis



John McDermid: first offering

timing will depend on market conditions. Analysts expect that the privatisation will raise a total of about CM.

The sale faces stiff resistance from opposition parties, but Petro-Canada itself wants to raise new equity as soon as possible to help finance its involvement in several big projects. The company has a 25 per cent interest in the Hibernia oilfield off Newlou land, which was given the green light for development last month. Petro-Canada had seems of

C36.8hm at the end of last year. Besides oil and gas produc-tion, it operates 3,300 service stations.

"We have the flexibility to smeet bond issues should we choose to," it said. The Conservative government has privatised over 20 Crown corporations since it took office in 1984. Earlier sell-offs include Air Canada and two aircraft manufactor-ers, Canadair and de Havil-land.

Trades on Simex rise by 30%

TRADING volume at the Singapore International Mone-tary Exchange (Simen) rose by 30 per cent to 1.7m contracts in the third quarter of 1930, compared with third-quarter of 1989, Reuter reports from

Singapore.
The rise in volume was afficibuted to increased activity in Nikkel Stock Average futures and Euroyen interest rate

fintozes.
"Uncertainty in global financial and energy markets has led to increased volatility, par-ticularly in Nikkel futures. Active trading in Euroyen Simex said.

Trading in Nikkei index futures grew by 46 per cent to 290,640 contracts in the quarter. Euroyen futures, launched last October, traded 252,876 contracts compared with 168,788 in fourth quarter of

• September volume on on Matif, the French futures and options exchange, was below the record August level, but still up 6.3 per cent on Septem-ber 1969, Reuter reports from

A total of 2.31m lots was traded, against 3.19m in August, Volume on French government bond futures was almost 1.3m lots against 1.78m. Options volume on the bond futures came to 588,549 Springt \$72,091.

Norwegian bank plans to close Tokyo office

DEN Norske Bank, Norway's largest commercial bank, is closing its representative office in Tokyo, AP-DJ reports from Tokyo.

"The main reason is that what we expect of future reve-mes or future income does not justify the costs of keeping open the office," the bank said.
"That doesn't mean we wouldn't stay close in contact with Japanese financial mar-kets," it added.

The foreign exchange and fund procuring business formerly managed in Tokyo will be handled directly from Nor-

way. The Tokyo office has a staff of three. Activities have already begun to be out back.

Compagnie Générale d'Électricité

CHAIRMAN'S MESSAGE

To our Shareholders,

I would like to say a few words about the potential impact of the current critical economic and political situation on CGE's

Like many other French companies, we are directly affected by these events, because several of our employees are held in iraq and Kuwait. I want to assure them and their families of my support and gratitude for the courage they are displaying. I hope that this intolerable restriction of their freedom will soon end.

Apart from this highly visible consequence, however, the situation in the Gulf should not have a significant impact on the Group's performance, as the volume of our activities in these two countries is limited.

This is confirmed by the 17% earnings per share growth recorded in the first half of 1990; and we expect a comparable increase for the year as a whole.

Our activities are not directly dependent on oil prices; moreover, in the medium term, changes underway in the energy market could well lead to further investment in certain sectors where we are highly active.

CGE

FIRST HALF

EARNINGS PER SHARE

UP 17 %

The decline in the CGE share price over the past several weeks is therefore not justified. Though our share price has not been as badly hurt as the shares of some other companies, the current price is certainly not a fair reflection of our Group's robust health.

It is therefore likely that the decline will prove short-lived, and I am convinced that the CGE share remains an excellent medium- to long-term investment, an opinion most of you apparently agree with, judging from your continuing status as shareholders in the Group.

I can assure you that we will continue to work to protect your investment and justify your trust.

Again, my thanks for your interest in CCE. Together we have faced and overcome difficult periods in the past; let us now once again show our determination.



BOARD OF DIRECTORS' ANNOUNCEMENT

On September 26, 1990, the Board of Directors of Compagnie Générale d'Électricité (CGE), chaired by Pierre Suard, ed the Group's consolidated results for the first six months of 1980. Met sales for the first half of 1990 amounted to FF 68,550 million, an increase of 2%; on a comparable structural basis, sales

sed by 5% over the first half of 1989. Operating income rose by 20% to FF 5,184 million, reflecting steadily improving margins at most of the Group's major operating units. Net Income before non-recurring items and taxes amounted to

FF 3,739 million, an increase of 12%. including minority interests, Group consolidated net income amounted to FF 2,797 million. The Group share in not income totalled FF 1,975 million. These amounts cannot be directly compared with those of the 1989 period because of major accounting changes connected in particular with the creation of GEC ALSTHOM.

Excluding the impact of accounting change

income including minority interests rose by 23% in the first six months of 1990 to FF 2,698 million, from FF 2,200 million in the first half

of 1989. After minority interests, the Group share in net income totalled FF 1,923 million in the first half of 1990, up 21% from FF 1,592 million in the first six months of 1989. Primary semings per share amounted to FF 19.70, an increase of 17% over the first helf of 1989.

Reflecting the healthy order bookings of the past 18 months, seles for the year as a whole rease in line with the performance recorded in the first half, Notwithstanding the current uncertainties, the higher-than-forecast net income growth

recorded in the first helf should also be sustained for the year as a whole. The Board reported that shareholders had responded favorably to the option of receiving their 1989 dividends in share form: 1.5 million shares were thus created, representing 75% of the total dividend payable. As a result of these dividend shares, bond conversions and exercise of employee stock options, the number of CGE shares outstanding increased by 4,523,285, representing FF 181 million in new share capital and FF 1,661 million in additional

CGE's share capital thus totalled FF 4,283 million at August 31, 1990, up from FF 4,102 million at January 1, 1990, representing 107.1 million ahares eligible for dividends and voting rights as of January 1, 1990.

Consolidated income statement (in FF millions)	First half 1990	First helf 1989	1989
Het uples	68,550	67,170	143,087
Income from operations	5,184	4.201	10,886
Pre-tax Income	3,739	3,333	8,080
Net income before minority interests	2,797	3,200	6,955
Net income, Group share	1,975	2,592	4,937
Evolutive of accounting changes			
Net income before minority interests	(1) 2,596	(2) 2,200	5,922
Net Income, Group share	1,923	1,592	3,904
Earnings per share (in FF)	19.70	16.90	40,60

40.00

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NOTICE TO THE WARRANTHOLDERS OF



Warrants (the "First Warrants") to subscribe for Shares of common stock of Itoman & Co., Ltd. issued with U.S.\$100,000,000 31/2 per cent. Bonds 1902

Warrants (the "Second Warrants") to subscribe for Shares of common stock of Itoman & Co., Ltd. issued with U.S.\$230,000,000 4% per cent. Bonds 1992

Pursuant to Cleuse 4 (A) of the Instruments dated 24th February, 1987 and 18th September, 1988 (the "Instruments") and in accordance with Conditions 7 and 11 of the Terms and Conditions of the Warrants, notice is hereby given that:-

 On 20th September, 1990 Itoman & Co., Ltd. issued US\$200,000,000 516 per cent. Gueranteed Bonds 1994 with warrants to subscribe for shares of common stock of the Company. Upon exercise of which shares of the Company will be issued at ¥1,282 per share, AND

as follows:- Subscription Price before adjustment = ¥757.60
 Subscription Price after adjustment = ¥749.00 (b) SECOND WARRANTS

2. As a result of such issue the subscription prices were adjusted

 Subscription Price before adjustment = ¥969.10
 Subscription Price after adjustment = ¥959.10
 Such adjustments became effective as from 21st September, 1990 (Japan Time)

> BY: THE SUMITOMO BANK, LIMITED as Principal Paying and Warrant Agent

TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF

NIPPON PAINT CO., LTD. (the "Company")

Issued in conjunction with an issue by the Company of U.S.\$70,000,000

3½ per cent. Guaranteed Notes Due 1992

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Notice is hereby given pursuant to Clause 4(C) of the Instrument dated 16th October, 1987 under which the above described Warrants were issued that as a result of the issuance of U.S.\$150,000,000 4% per cent. Notes due 1994 with Warrants on 27th September, 1990 by the Company with the initial subscription price per share of Yen 769 determined on 18th September, 1990 being less than the current market price of Yen 916.20 per share applicable as at that date, the Subscription Price at which shares are istuable upon exercise of the Warrants has been

1) Subscription Price before adjustment: 2) Subscription Price after adjustment:

¥635.20 per share 27th September, 1990 3) Effective Date of the adjustment:

3rd October, 1990

NIPPON PAINT CO., LTD. By: The Sanwa Bank, Limited as Principal Paying Agent

Notice to Holders of

NEC Corporation

(Nippon Denki Kabushiki Kalaha)

(the "Company") £30,000,000

53/4 per cent. Convertible Bonds due 1996 (the "1996 Bonds") U.S.\$80,000,000

51/4 per cent. Convertible Bonds due 1997 (the "1997 Bonds") U.S.\$150,000,000

27/s per cent. Convertible Bonds due 2000 (the "2000 Bonds") U.S.\$700,000,000 Warrants attached to U.S.\$700,000,000

41/s per cent. Bonds due 1993 (the "1993 Warrants") Pursuant to the provisions of Condition 5(C) (XII) of the terms and conditions of 1996 Bonds, 1997 Bonds and 2000 Bonds and Clause 3 (VII) of Instrument of the 1993

Warrants, you are hereby notified as follow 1. The Company issued Yen 50,000,000,000 Bonda due 1994 with warrants to subscribe for shares of common stock of the Company on September 26, 1990 and U.S.\$350,000,000 Bonds due 1994 with warrants to subscribe for shares of common stock of the Company on September 27, 1990, upon exercise of which shares of the Company will be issued at Yen 1.697 per share, and

As a result of such issue the conversion prices of the above-mentioned Bonds and the subscription price of the 1993 Warrants have been adjusted in accordance with Condition 5 (C) (VI) of the terms and conditions of the above-mentioned Bonds and Clause 3 (VI) of the Instrument of the 1993 Warrants

Conversion price of the 1996 Bonds was adjusted from Yen 646.40 to Yen 645.00 per share with effect from September 27, 1990.

Conversion price of the 1997 Bonds was adjusted from Yen 695.20 to Yen 694.10 per share with effect from September 26, 1990.

Conversion price of the 2000 Bonds was adjusted from Yen 1,293.10 to Yen 1,291.10 per share with effect from September 26, 1990 and from Yen 1,291.10 to Yen 1,289.80 per share with effect from September 27, 1990.

Subscription price of the 1993 Warrants was adjusted from Yen 1,948.00 to Yen 1,945.90 per share with effect from September 26, 1990, and from Yen 1,945.90 to Yen 1,943.90 per share with effect from September 27, 1990.



The Sumitomo Bank, Limited

"We are of the opinion that we are not far from a peak in interest rates, and so we would prefer to finance short-term rather than long-term." MANUAL OF MILE OFT/AIRD HITERNATIONAL BOND SERVICE

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CONVENTED E SOMEON, Denominated in dollars unless otherwise indicated. Cru. price—Nominal amount of bond per share expressed in coupony of share at convention rate that at lease. Premi-Personage premium of the current effective price of acquiring shares via the boad over the rings recent price of the shares.

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hen the Securities and Exchange Com-mission liberated the

US private placement market for debt and equity in April, it was heralded as a change that could alter the face of the US

The amendments made by the SEC under its 144A rules

have come at a particularly inopportune time for the equity market with companies

shying away from interna-

tional issues amid the extreme volatility and uncertainty in

world markets. The SEC's rule changes

essentially mean that privately-placed securities can be traded instead of being locked up for three years as was previ-

Although the attractions of issuing equity under the new

rules were expected to be greater than those for debt, in fact, the market for debt and convertible securities has

taken off more quickly than

that for straight equity.

There have so far been five international equity issues on the 144A market, most of

which have been fairly small

On the debt and convertible

side, companies have been more innovative in using the market, attracted by a lower

market, attracted by a lower cost of funding than was available under the previous private placement market.

"Issuers of debt necurities make their decisions based on price sensitivity," explained Mr Ludovico Del Balzo, head of new issues at Shearson Lehman in London, "but an equity issue is a more strategic move that is more difficult to make

that is more difficult to make

in today's environment." This is why equity issuers will be slow to turn to the market

placements.

than was predicted.

offer for

shares in

By Hilary Barnes

in Copenhagen

rival insurer

HAFNIA, the Danish insurance and financial ser-vices group, has made an offer which could give it effective control of rival insurance com-

control of rival insurance com-pany Baltica Holding.

In a letter published by the Copenhagen Stock Exchange, Hafnia has offered to take up its entitlement should Baltica proceed with a rights issue.

The Hafnia and Baltica

The Hainia and Baltica groups are the two leading insurance companies in Den-

Baltica recently acquired Statsanstalten, the state insur-ance and pensions group, for

DKr3.4bn.

The letter made it clear that should Baltica wish to finance the Statsanstalten deal by a share issue, Hafnia is willing to pay a substantial premium. Hafnia is willing to pay DKr1,000 per share for any new share offered by Baltica, which is DKr230 above yesterday's closing price.

which is DKr230 above yester-day's closing price.
Baltica's chief executive, Mr Petrer Christoffersen, has said, however, that Baltica does not plan to make an equity issue in the present markets.
Hafnia already has a 28.7 per cent stake in Baltica as

weil as 11 per cent in Baltica

The other large shareholder in Baltica is the French Suez group which has 23 per cent. Baltica has an outstanding authorisation from sharehold-

EIB taps matador market | Hafnia in with Pta10bn offering

By Simon London

AGAINST a background of renewed strength in world stock and bond markets, the European Investment Bank reopened issuance in the Span-ish "matador" market with a Pta10bn, five-year issue via Banco Espanol de Credito.

The matador market was closed in July, when the Bank of Spain attempted to take the of Spain attempted to take the heat out of a strong peseta by restricting capital inflows, including acquisition of peseta-denominated bonds.

The peseta has depreciated by 2.5 per cent against the D-Mark since July and last week the authorities indicated a willingness to reonen the

a willingness to reopen the

The EIB is one of the few potential issuers with a need for unswapped peseta borrow-ings and the current thin swaps market may restrict the number of new issues from cor-porate borrowers. However, sources close to the market are expecting another big deal to be launched before the end of

Pent-up demand for peset paper ensured that the EIB deal performed well in the market, with interest from a broad range of European fund managers. There was special interest

from Italian investors, who benefit from tax advantages when investing in paper from some supranational borrowers. Launched at 101, the paper was reported to be trading at less % bid, well within full fees

At that level the yield is 14.20 per cent, against a yield of 14.10 per cent on the World Bank i ive-year matador issue. Anot ber notable feature yes terday was the Euromarket debut of a new triple-A rated

Berrower US DOLLARS Energie Beheer N Shinka Electric(k) Neturan Cá.(a)

LIRE Export Devt.Corp Canada(a)◆

borrower in Energie Beheer Nederland, the Dutch state-owned oil and gas company. EBN chose to launch a \$300m five-year issue through Morgan Stanley, offering a coupon of 9

Interest came from fund managers in the UK and conti-nental Europe and the lead manager reported the issue sold out by mid-afternoon. Trading at the fixed re-offer price of 99%, the issue was yielding 51.8 basis points over

INTERNATIONAL BONDS

equivalent Treasury paper, in line with other sovereign-backed issues in the exter. A contrasting deal from an energy-related borrower in the energy-related porrower in the dollar sector came from Clyde Petroleum, the quoted UK oil producer. The \$100m 12-year issue of senior loan notes through Kleinwort Benson was privately placed with a small number of US institutions. Structured for the institutions before the Gulf crisis erupted, the paper was issued around par and carries a coupon of

19.19 per cent. The appetite of certain Japa. The appetite of certain Japanese investors for paper linked to the yen/Australian dollar exchange rate was underlined with the launch of another Y3bn currency—linked deal from Skopbank, the Finnish financial institution, via Kankaku (formerly NKK). The issue follows a Y5bn deal launched two weeks ago by the same borrower on similar terms. Both were placed with Japanese institutional inves-Japanese institutional inves-tors and secondary market vol-ume is expected to be thin.

NEW INTERNATIONAL BOND ISSUES

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1014

1993

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his Private placement, SConvertible. With equity warrants. If loading rate note. SFinal terms, a) Non-call pays Libor plus & % for first 3 months, then fixed at 8.05% thereafter, c) Currency-linked issue. Coupon pay deposit rate for first 3 months, then linked to Yan/Australian delice.

The 2676 point rise in the Nikkei stock market index overnight encouraged the launch of two dollar-denominated equity-warrant deals from Japanese borrowers. Shinko Electric issued \$110m of equity-linked paper through Nomura with an indicated coupon of 5% per cent. A lesser known name in the sector, Netures, launched a \$50m warrant issue through Daiwa with an indicated coupon of 5% per an indicated coupon of 5% per

Swedish mortgage company, has issued \$50m of subordinated floating-rate notes through S.G. Warburg. The paper was placed with a syndicate of Jeremen investors. cate of Japanese investors.

• Bond Investors Association said that 17 corporate bond issuers defaulted on \$3.60n in the third quarter, Reuter reports from New York.

Bond Investors said defaults for the year totalled \$15.8hn, representing an 80 per cent increase over the first three quarters of 1989. It said this year's tally almost equalled the default amounts for the entire

two previous years. The association said that the growing default rate reflected both the explosive growth in junk bond volume since 1985 and the poor credit quality of the outstanding issues.
"The fact that defaults are

running at almost twice this rate can be directly attributed to the poorer debt quality and the closing of the junk bond market to new issues of such low quality," said Mr Richard Leburg resident of Rond Lehmann, president of Bond

15 i.Bancario S'Paolo

Bond Investors said that municipal bond defaults for the first nine months totalled

authorisation from sharehold-urs to leave share with a face vaine of up to DKr500m, with-out rights for existing share-holders.

If Hainia obtained this block of shares, it would gain con-trol of 48 per cent in Baltica Holding, snough for effective control.

Mr. Christofferson has said Mr Christoffersen has said on previous occasions that he does not regard a merger of the two groups as desir-

• Topdanmark, Denmark's third largest insurer, has reported an increase in first-half profits from DKr128m to DKr159m, a return on equity of 4.8 per cent.
Operating profits incressed from DKr114m to DKr128m and gains on securities from DKr17m to DKr31m.

financial marketplace.
Six months later, that market has proved a less attractive honeypot for foreign issuers

Joseph Hardiman: alms to alter system to attract users

even though they are interested in it, he believes. The electronic trading system set up by the National Association of Securities Dealers to trade 144A issues has suffered from the market's slow start. Portal is quoting prices on 15 issues made under 144A but is providing distribu-tion for only two of them.

At the same time, the NASD could face competition in the 144A market from rival systems which are planned by the American Stock Exchange and probably, the New York Stock Exchange, as well as an unregulated alternative, proposed by New York's Deposi-tary Trust Company.

The American Stock Exchange has said that the system it is developing in conjunction with Reuters, which is called Situs, will provide a service of the state of vice competing with Portal from the middle of next year. In addition, the DTC has filed with the SEC to provide a simi-lar private placement market which will operate in a way similar to the current

trade settlement house, has made an agreement with the DTC to provide clearance and settlement for foreign issues that will trade on any of the 144A markets in the same way

Portal proves an ignored honeypot

Deborah Hargreaves looks at the liberated private placement market

144A markets in the same way that Cedel currently operates a clearing service for Portal.

The DTC has yet to receive SEC approval for its proposed telephone market in 144A issues which will not provide electronic trading facilities, nor will it vet participants to check they are eligible to buy privately-placed issues.

The SEC sets criteria for participants in the 144A market ticipants in the 144A market that they have a net worth of \$25m and securities holdings worth \$100m — which are known as qualified instituknown as qualified institu-tional buyers. Under Portal rules, institutions must open their books to the NASD to prove they are eligible. In addi-tion, they must enter agree-ment with Cedel which pro-

vides clearing services for Portal and NASD has a respon-sibility for closely monitoring The NASD is put out at the prospect of unregulated compe-tition and has opened its own talks with the SEC on opening up its system to anyone who wants to participate. This would get rid of the "closed loop" system under which Portal operates and remove the NASD's guarantee that players are qualified buyers.

Mr Joseph Hardiman, president of the NASD, explains that, given the slow start to Portal, the NASD is engaging in talks with the SEC aimed at altering the system to attract more users.

Amex and Reuters are

closely since their system is planned as a "closed loop". The Amex says its Situs system will offer an advantage over Portal in that it will display additional Reuters information

such as foreign exchange rates on the same screens. However, it is likely to follow the NASD away from regulation if the SEC approves the move.

Market participants are keen
to distance themselves from the manoeuvrings among the screen providers and are eager-

to stress that these should not obscure the fundamental bene-fits of the 144A markst. "I don't think any investor saw 144A as a Brave New World. It has definitely added to the attraction of the US market, but no one expected to see corporations rushing in there overnight," said Mr Mark Hantho at Morgan Stanley in London Mary known by the Mary London. don. Many brokers point to a residual interest in the market among their corporate clients, which is coupled with a reluc-tance of doing any kind of offering in today's unsettled

One company which was quick to make use of the new market is British Aerospace which launched the first issue of debt securities — an issue of \$100m bonds - in 144A in May. Mr Tony Rice, assistant treasurer at the company, says the cost of funding in the 144A market was definitely five to 16 basis points lower than a similar offering in the private placement market that existed before liberalisation. British before liberalisation. British Aerospace's 10-year debt issue carried a 10.15 per cent coupon and was lannched at a spread of 115 basis points over the corresponding Treasury bond.

"It wasn't the easiest issue we've done, because we had to break new ground on covenants," said Mr Rica, "but we would definitely return to the market after the positive reco-

market after the positive recep-tion for the deal.

However, he stresses that since the market has been slow to take off, "it's a market

Polish bank buys into London investment broker

POLAND'S Food Economy Bank (BGZ), one of the coun-try's largest banks, is to buy a third of the shares in M.C. Brackenbury, a London-based investment manager and bro-

The decision marks the first time that a Polish bank will

have purchased shares in a western financial company and gives the BGZ access to foreign financial markets and commodity exchanges.

The BGZ acts as a central.

bank for about 1,500 small co-operative banks in the country-side as well as a network of

banks serving the private sec-tor, giving it outless through-out the country.

The decision to buy into Brackenbury, which was set up in 1966, came after BGZ's plans service this weer to establish a

earlier this year to establish a

joint venture with western co-operative banks, failed to mate-

LONDON TRADED OFFICHS

the Gulf also made potential buy-

broadly based commodity bro-ker. Although BGZ did not dis-close the size of the deal it stressed the acquisition was made for less than \$1m. BGZ wants eventually to

risites. Brachenbury is a small,

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number of contracts traded stood at 39,246 compared with 30,948. Among the stook options calls were more popular, while in the FT-SE index options there was an

costed activity in STC options. A xizi of 3,839 lots changed hands,

LONDON MARKET STATISTICS

	The Financial Time is conjunction with the EQUITY OROUPS A SUB-SECTIONS res in parenthese show number of		inte a	f Actu							
	EQUITY OROUPS & SUB-SECTIONS res in parentheses show number of										
	res in parentheses show number of			ay Oct	ober 2	1990		Man Det	Fri Sep 28	Thu Sep 27	Year
				Est.	Greez	Est				_	
11	stocks per section	tedex No.	Day's Change	Families Yield% (Man.)	Div. Yield% (Act at (25%)	P/E Ratio Oleti	nd add. 1990 to date	Mo.	lactor MAL	lectex No.	lede No.
	APITAL 90095 (194)	699.53	+1.4	16.04	6.79	7.63	29.40	690.10	675.36	678.45	966.5
2	Building Materials (26)	899.73	+1.7	16.58	6.77	7.53	34.59	884.68	864.16	867.49	
3	Contracting, Construction (55)	1054.96	+1.6	20.13	7.53	6.49	50.99	1038.21	1018.06		
9 11	Electricals (10)	1918,49	+0.8	14.65	6.95	8.35	73.06	1903.33		1850.95 1512.18	
	Electronics (26) Engineering-Aerospace (8)		+1.3	10.76 15.74	5.48 5.63	12.71 7.63	36.74 15.17	419.09	1510.77 408.06	409.50	2135.
	Ingineering-General (47)		404	16.75	7.03	7.40	15.76	366.70		362.64	
ál	Metals and Metal Forming (8)	401.65	+2.8	28.36	8.32	4.29	17.02	390.74	384.16	385.55	500
9li	Motors (1.3)	279.71	+1.2	18.36	8,49	6.34	14.26	276.28	267,73		33
01	Other Industrial Materials (23)	1182.61	+1.0	14,55	6.92	7.94	56.53	1171.08	1146.00	1157.59	1765.
	ONSUMER GROUP (176)		+1.6	10,68	4.45	11,57	29.31	1141.35		1137.67	1328
	Brewers and Distillers (22)		+1.5	11.05	4.17	10.96	33,47	1394.45		1391,81	1483.
5	Food Manufacturing (LB)	1001.58	+L6	11.60	4.87	10.63	24.61	985.43	973.49	983.50	1170.
6	Food Retailing (17) Realth and Household (16)	2477.93	+1.4	10.39 7.39	3.63 3.09	12.26 16.07	50.00 17.38	2265.91 2350.81		2249.22 2336.14	
7	Leisure (32)	1149 27	+1.2	13.05	5.49	9.27	10.79	1134.32		1133.59	1744
1	Packaging & Paper (12)	490 86	413	13.39	7.24	9.17	22.54	474.60	470.91	475.54	591
эΙ.	Printing (14)	2821 1R	+0.9	12.72	6.63	9.84	10.55	2795.71	2764.16		
4	Stores (33)	745.26	+1.0	11.88	5.00	10.95	18.26	737.69	725.01	732.81	839.
5/	fextiles (12)	404.96	+1.7	14.78	8.76	8.58	19.76	700.31	395.22	397.66	570.
	THER GROUPS (167)		+1.2	13.06	6.09	9.28	31.51	956.55	937.04	944.60	
1/4	Agencies (16)	1160.13	14.4	9.29	3.41	13.08	22.00	1111.65			1557. 1264
ŞĮ١	Demicals (24)	995.06	+2.2	13.34	6,69	9.16	46.23 35.71	973.65 1264.67	955.25 1234.77	964.89 1262.40	
21	Conglomerates (437	1201.30	+2.7	13.51	7.17 5.85	9.38	33.71 65.20	1761.60	1740.24		2333
2)	Talanhana Methyliki 3	1045.97	-0.5	12.39	5.18	10.50	26.09	1061.32	1039.44		1151
71	Water(10)	1954.64	+0.6	15.77	6.93	7.13	68.12	1943.32		1954.94	0.
ėl.	Miscellaneous (25)	1512.19	+1.0	13.85	5.95	8.29	61.39	1497.00	1461.36	1465,34	1959.
ă	NDUSTRIAL GROUP (479)	989 82	+1.4	12.60	5,47	9.72	30.96	976.11	958.21	967.21	1211
		2329 27	+0.4	10 65	5.34	12.28	84.75	2330.64	2314.52	2322.49	2202
하	500 SHARE INDEX (S00)	1099.87	+1.2	12.29	5.45	10.05	35.28	1006.44		1077.52	
_	FINANCIAL GROUP (303)	653.49	+1.4		7.25	*	31.27	644.77	630.28	637.31	803
	Banks (9)	691.98	+2.3	23.62	8.30	5.54	41.50	676.74	658.02	663.67	805.
	nsurance (Life) (7)	1252.19	+1.1	-	5.98		54.97	1268.66		1263.16	1263.
ě١	nsorance (Composite) (6)	543.05	+1.2	[7.54		27.35	556.50	537.62	543.25	657.
7	nsurance (Brokers) (8)	800.86	+3.5	11.18	8.07	11.68	40.46	774.04	772.09	789.00	
	Merchant Banks (7)		*1.0		6.23	12.00	12.31	325.46	324.23	326.34	410. 1323.
9	Property (45)	862.14	-0.3	8.76	5.64 7.42	15.07 10.85	24.52 10.30	864.62 233.78	848.36 234.14	862.41 236.21	350.
	Other Financial (21)		+0.6	11.96		_	24.36		954.21	969.29	1258
4	nvestment Trusts (66)	988.67	+1.8	12.55	3.99 8.05	9.48	57.65	97 <u>1.12</u> 1121.60	1115.30	1135.36	
	Overseas Traders (5)	991.56	+1.3	W 35	5.67	7.40	33.89	979.09	962.18	970.90	-
7	ALL-DIVAKE HEVEA (9/9)	index	Day's	Day's	Day's	Oct	Sep	\$65	5ep	570,50	Yes
- [No.	Change	fileh (a)	LO- (b)	1	28	27	26	25	395

	FDC	ED i	NTE	REST	r			AVERAGE GROSS REDIDALPTRON YEELDS	Tue Oct 2	Mod Det	Year ago (approx.
	PRICE INDICES	Tun Oct. 2	Day's chunge %	Mos Oct 1	xd adj. today	nd ad), 1990 to date	1 2 3	British Generalized Low 5 years	11.03 11.03 11.03	11.05 11.05 11.05	10.20 9.58 9.44
3	British Germaniani Up to 5 years 5-15 years Over 15 years Irredeemables All stocks	116,18 120,59 121,37 140,01	+0.15 +0.12 +0.38	116.08 120.48 121.23 139.49 120.91	-	9.71 10.23 9.84 8.85 10.12	4567890	Mediam 5 years		12.12 11.25 11.26 12.20 11.83 11.59 11.18	9.96 9.54 11.22 10.16 9.70
6	Over 5 years	152,79 137,95 138,96	+0.07	151.77 137.86 138.87		2.46 3.12 3.06	13 14	inflation rate 5% Up to Syrs. inflation rate 5% Over 5 yrs. inflation rate 10% Up to 5 yrs. inflation rate 10% Over 5 yrs.	4.35 3.23	4.41 4.35 3.23 4.17	3.45
9	Debestures & Lyans			99.37	0.06			Dele & Syears Leans 15 years 25 years	14.16 13.08 12.71	14.28 13.06 12,70	
-	Preference	72.25		72.34 m 2044 5	- 11 am 2	5.23		Preference	13.09		

RISES AND FALLS YESTERDAY	LO
Recommendation	TRADED options and stock futures took field lead from a bustler equity market yesterday. Stock futures exerted little influence over the cash market despite a more active session. Meanwhile, takeover speculation surrounding STC boosted turnover in its traded options. The December FT-8E 100 index contract opened up 52 points at
	2,125 following the strong gains in Tokyo. The December contract traded at 55-60 points above the
	cesh index, compared with 48 at the previous close. However, the futures market
LONDON RECENT ISSUES	was unable to hold at its 60-point fair value premium to the FT-SE
Stank Paul Date High Law Stank Price - Div Card Yield Zing	CALLS POTS Option Sci. jun. Apr. Cci. jun. Apr.
	Alti (see 30 52 44 - 15 7 - (437) 420 24 42 59 5 15 19 450 35 21 35 26 34 37
180 F.P. 190 170	ASSA 110 9 17 21 14 54 7 (*130) 120 35 12 15 54 11 15 130 14 7 11 14 14 18
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F.P. 75 43 6older Vale (1)	Smitl Sec- clam A 500 55 74 70 3 18 14 (7549) 550 14 42 50 13 25 57 600 2 21 36 55 60 65
100 F.P 38 28 Do Warrants 50 +1 11.6 - 1.4 -2 F.P 45 38 Do Pr. Seh. lo 41 -2 F.P 33 -	Beets 200 M 31 42 3 10 M (258) 300 7 20 30 9 18 21 330 1½ 9 17 34 35 37
	0.P. 300 47 55 43 15 4 6 (7944) 330 19 33 43 35 11 14 360 5175 26 29 25 27
	Britis Stati 116 15 17 20 1 21 41 (**) 120 6 10 14 31 7 8 130 14 5 81 10 14 15
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E op Date High Like	Câ Wee 590 38 97 75 3 12 15 PG241 420 15 37 55 10 24 27 460 8 18 34 36 46 48
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TRADITIONAL OPTIONS	Salestrary 280 26 36 49 2 6 84 (7903) 300 10 25 37 5 14 16 330 1 11 22 25 31 32
● First Dealings Sept. 17 ■ Last Dealings Sept. 28 Morris Props., Ladbroke, Next. ■ Last Declarations Dec. 27 Tuester Res., Officer Res. and LIT	Shell Trust. 428 40 60 65 24 8 12 19 27 (457) 460 9 34 42 12 19 27 500 1 16 23 46 48 50
For rate indications see and of Control Secs. Puts and calls in	Storehouse 110 II 16 20 IV 5 6

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UK COMPANY NEWS - THE POLLY PECK AFFAIR

A Turkish delight could ease Nadir's discomfort

David Barchard looks at the close links between President Ozal and the troubled head of Polly Peck

turbulent events surrounding Polly Peck
International, it is becoming
increasingly clear that Mr Asil

Mr Nadir is also the most Nadir's best ally is President Turgut Ozal of Turkey.

His future and that of his group may now depend on just how far that alliance can be pushed. It emerged yesterday that Mr Ozal raised Mr Nadir's difficulties in a stormy meeting with Mrs Thatcher in New York at the weekend. This followed earlier representations by the Turkich consument to by the Turkish government to Number Ten some weeks ago, warning that Mr Nadir was the victim of a Greek Cypriot con-

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Despite these unusual moves, it was still not clear yesterday that the Turkish president is either willing or able to mastermind a bail-out operation for Polly Peck.

From the Turkish president's point of view, Mr Nadir is an important ally. He has bought two national newspapers and the country's best known magazine and turned them into lonely supporters of the gov-ernment in a press world that

MID THE murky and is otherwise almost overturbulent events sur- whelmingly hostile to Mr Ozal

> rapidly growing entrepreneur in Turkey. His latest round of investments in white goods, consumer electronics, and other consumer durables is poised directly against the older holding groups in Turkish industry who are - behind the scenes - implacable oppo-nents of Mr Ozal and his moves over the past decade to introduce competition to the heavily protected Turkish mar-

> Mr Nadir has also provided unexpected help to the Turkish government in solving what seemed to be the insoluble problem of the Turkish Cypriot

His investments on the island, particularly those in the island, particularly those in the tourism industry appear set to make it economically self-sufficient for the first time since a separate Turkish Cypriot state was established 15 years ago and so end a heavy drain on the Turkish treasury in annual subsidies.

In many ways therefore, Mr Nadir and his Turkish ventures are the very embodiment of the Ozal era in Turkey and wave of South-East Asian-style

industry in the country. The links are visible in other ways. Several retired senior military and police figures from the Turkish establish-ment now hold top positions in Mr Nadir's Turkish operations, cementing his links with offi-cialdom – and fanning the suspicions of his critics. Mr Nadir has few personal friends in Turkey but he has

repeatedly been seen in public with the president on ceremonial occasions. he most recent occasion came in early September when President Ozal in person opened Mr Nadir's new Sheraton Voyager Hotel in

Antalya. On September 5, the Turkish Foreign Ministry publicly denounced Mr Nadir's critics in the west as "an ugly cam-paign whipped up by the Greek Cypriots and aimed directly at Mr Nadir with the specific goal of ruining the Turkish

among his hardened oppo- sonally. Turkish officials continue to "A company of Polly Peck stress in public and in private that they are not intervening

to protect Mr Nadir against any allegations of possible share-dealing irregularities. "We just don't know what has happened here. We have no special knowledge of the facts involved. That is up to the British authorities to decide as they see fit," said one senior Turkish official at the

Even so, attempting to organise a corporate bail-out for Mr Nadir from behind the scenes would be politically extremely dangerous for Mr Ozal. Even inside the Turkish cabinet, there are voices criti-cal of Mr Nadir, mostly coming from the Islamic fundamental-

ist wing of the party.

As a staumch defender of free market principles, Mr Ozal has stood aside several times over the last decade and watched leading industrial groups inside Turkey falter or col-

A rescue operation for Mr Nadir would stir up a chorus of ness, while distancing the governiticism — and not only ernment from Mr Nadir per-

International's stature ought to be able to organise its own rescue operation with the banks without depending on Turkey," said one Istanbul banker yesterday. "Why should Turkish banks in effect give a guarantee to UK banks for Polly Beek's Worldwide activities Peck's worldwide activities

about which they know nothing?" Accusations of political favouritism could be especially risky for the president, who is not recognized as head of state by the opposition parties which boycotted his election.

There have been periodic hints from them that if the Motherland Party is defeated at the next general elections,

outside Turkey and Cyprus,

there might be attempts to press corruption and malad-ministration charges against the president.
One solution might be to back Mr Nadir's Turkish enter-prises, Vestel Electronics and Meyna, the fruit export busi-

But this is not really an option. Polly Peck is no exception to a first generation corpo-rate industrial culture in Turkey in which the fate of an enterprise hangs almost entirely on its founder staying at the helm.

he signs in the last few days are that Mr Ozal, who returned to Ankara from New York only yesterday, now receiving divided coun-

Some of his advisers are pressing him to back Mr Nadir to the hilt and help him overcome his liquidity problem (a task which may be beyond the financial and technical resources of the Turkish banking sector. Others are urging caution and starting to distance themselves from Mr Nadir and hope the president will do the same.

Yet others seem to share the attitude of a Turkish official in the last few days who said despairingly: "We just don't know what is going on and until we do, we can't decide



President Turgut Ozal of Turkey: raised Nadir's difficulties in a stormy meeting with Mrs Thatcher in New York at the weekend

The man from Del Monte finds himself in a buyers' market Creditors face

MR ASIL Nadir, chairman of Poliy Peck International, may find himself dealing with a buyers' market if he is forced to offload the Florida-based Del Monte Tropical fruit to ease his financial problems.

nomic activity on the wane, this is not a good time to be selling companies of any sort.

And it appears to be a particularly bad time to be disposing of a banana and pineapple business.

This is principally because Dole Food, the world's largest sourcer and marketer of fresh fruit and vegetables, is already up for sale. Castle & Cooke, Dole's perent, has said that it has been contacted by a num-ber of interested parties, A \$124.4m (266.1m) dollop of equity in Chiquita Brands International — once United Fruit — has also been offered this year. Chiquita, which mound a six-week strike this

summer at its Honduras banana operations, is con-trolled by Mr Carl Lindner's Great American Communica-

Both Albert Fisher and Geest of the UK have been mentioned in connection with the Dole

Mr David Sugden, Geest chief executive, said last week that buying Polly Peck's Del Monto huninamen would be "something we would have to consider" if they were to become available. Mr Sugden confirmed that Del Monte was the target of lest west's about the target of last year's abortive acquisition, which cost the fresh produce and prepared foods company £272,000 in fees.

When Polly Peck hought Del Monte's fresh fruit operations tust over a year ago for \$875m (£557m at the prevailing rate of exchange) it was initially seen

exchange), it was initially seen se a quantum leap for the fast-growing food and consumer electromics group's credibility.

The shares jumped 70p on the day the deal was announced, notwithstanding an accompa-

nying £283m rights issue.

Mr Nadir acquired the operation from RJR Nabisco, which was disposing of businesses in the wake of the record \$25bn



leveraged buy-out by Kohlberg Kravin Roberts. The Del Monte Foods processed foods businesses were offloaded separately, with the European juice and tinned fruit operations going in April to investors led by affiliates of Britain's Char-terhouse Bank for \$375m. Del Monte's widely recogmised brand-name, which was first attached to processed fruit and vegetables in 1891, and

experienced management was seen as just the ticket for win-

seen as just the ticket for win-ning over investors wary of the company's little-understood corporate structure.

"It was realised that what they had with Del Monte was a solid wodge of very sensible US management that could impose more order on what had been an entrepreneurial business." an entrepreneurial business,"

according to one analyst.
"The original plan, so far as we could understand, was a management reverse takeover where Del Monte's style would extend across the whole fruit

The purchase was a sound strategic move for Polly Peck.
Del Monte's main theatre of
operations in the Americas
(sourcing from Hawaii, Costa
Rica and Guatemala), with a
significant foothold in Ask's

pineapples formed a comple-ment to Polly Peck's citrus-ori-ented operations. The company is the world's largest distribu-tor of pineapples and thirdlargest of bananas, selling 275,000 tonnes and more than 1.07m tonnes respectively in

Since completion of the deal, Del Monte appears to have continued to perform satisfactorily, with acquisitions contri-buting £29.6m to taxable food division profits in the first half of 1990.

Integration with Polly Peck's longer-held fresh fruit operations, however, seems to have been relatively limited, despits Mr Brian Haycox's appointment as chief executive of Polly Peck's food division in June

At the time of the purchase, counterbalanced Polly Peck's

Ruropean stronghold.

In addition Del Monte's principal strengths in bananas and

At the time the particular of the particular

Monte posts over 21 years. One clear-cut example of integration has been in shipping, where Polly Peck in May raised £142m in a sale and leaseback transaction involving nine refrigerated cargo vessels to which it acquired rights as part of the Del Monte pur-

appear a logical step is North American distribution. Polly Peck has three distribution arms spread across the US: the New York-based Prevor Marketing international, Californ-is-based Mendelson-Zeller and standard Fruit & Vegetable, based in Texas, which was acquired in March 1990.

Del Monte, for its part, is believed to have sold 60 per cent of its produce direct to experience are the second of the se

supermarkets in recent years. The installation in stores of automatic pineapple cutters has formed part of its strategy

Mr Nadir also issued a stren-uous denial of any involvement

in any improper share dealings and said the SFO investiga-

tions were "unrelated to mat-ters within my knowledge". He added: "There have been

allegations of improper dealings in Polly Peck shares by a variety of individuals with actual or alleged, close or remote, associations with me. I am not aware that any of these allegations are bratified.

allegations are justified.
"Certainly, any suggestions that I have been involved in improper share dealing are false." He confirmed that the

SFO enquiries were "substantially related to the alleged impropriety in dealing in Polly Peck shares", and said he had answered questions during his meeting last week with the SFO "to the best of my information."

The board itself said that it

had found no evider. • that any of its money, or that of subsidiaries, had been used to

help buy its own shares - an

tough decisions in liquidity crisis

By David Lascolles, Banking Editor

FEW PEOPLE are awaiting the more auxiously than its many

Yet the company's admission in its late-night statement on Monday that it has liquidity problems means they also hold the key to the company's sur-

What makes Polly Peck's cri-als especially difficult to man-age is that it has a large num-ber of banks, even by the standards of modern-day multi-The precise number of banks

involved has not been dis-closed, but it is believed to run to five or six dozen.
Polly Peck also has no lead banker because Mr Asil Nadir,

the chairman, prefers to deal with banks individually. The company's main identified creditors are banks which subscribed to the \$500m loan raised by Polly Peck last December to finance the acquisttion of Del Monte. The loan was led by Crédit

Suisse First Boston and included Crédit Suisse, Société Générale, NCNB, Arab Banking Corp., Banque Indosuez, Credit Agricole, Mitsui Trust, Nippon Credit Bank, Rabobank, Dresdner Bank and Standard Chartered, all of whom took \$30m.

Subscribers to smaller loans include the Qatar National Bank, Commercial Bank of Kuwait, Middle East Bank, First City Texas, United Mizrahl Bank, the Common-wealth Bank of Australia, and Kansallis Osake Pankki.

Polly Peck's largest bank creditor is believed to be Standard Chartered with just under E50m. Standard's merchant banking arm, Standard Char-tered WestLB, is adviser to Polly Peck, and the bank is playing the role of convener of this Friday's meeting between the company and its creditors the company and its creditors.
In the middle of this year, Polly Peck had total long term borrowing of £832.6m. But the bulk of this is not at risk because it is not due to be

repaid for several years.

Nearly £300m of it comprises
the Del Monte borrowings
which are secured against Del
Monte's assets and cash flow. Bankers say they feel comfortshort term borrowings. The net amount owed to banks was £117m at the end of June. But there was also £426m of "other" short turn borrowings mainly credits from the company's many suppliers.

Both these sources of credit could quickly dry up if there were a crisis of confidence in the company, though the interim accounts showed the company also had about £250m. of cash. What has made Polly Peck's

predicament worse is the fact that the crisis has coincided with the fruit-picking season. This is the time of year when the company's cash flow is most stretched because it has to pay fruit growers before it has sold the fruit on, and its borrowings consequently rise

sharply.

An uncomfortably large proportion of PPI's short termcredits are also uncommitted. which means that they are not automatically renewed or

rolled over once repaid.

Bankers will be looking for concrete indications at Friday's meeting that the company can overcome the crisis. One banker who will be attending the meeting said yesterday he was encouraged by news that the Turkish govern-ment is planning to assemble a

financial support operation.

"That would be good," he said, "because they obviously have liquidity problems."

If the Turkish government succeeds in putting together a £100m commercial bank credit for Polly Peck as reported, the

funds would have the double benefit of easing the company's cash squeeze and bolstering the confidence of other credi-tors. But its chances of succeeding looked doubtful yesterday.
One leading Turkish banker said last night that Turkish

hanks were not geared up to provide a £100m guarantee.
"Why should Turkish banks give a guarantee to UK banks?" he asket.
Bankers also said that the large number of banks involved, and the strains already hurting the financial sowices sectors recorded.

services sector would only

make things worse.

This had "hit a very nervous banking market," said one of them. All this suggests that

offence under section 151 of the Companies Act. It also reported that Mr Nadir had informed the board that "he

informed the board that he denies all allegations of impropriety" and was suing the Sunday Times and Observer for libel over recent articles.

The board said it was now providing "information and documentation" to the SFO and has offered to provide any help it can to bring the investi-gation to a conclusion.

The statements also revealed

little about the financial posi-tion of Polly Peck itself, now the subject of urgent negotiations among its bankers. The share suspension and related negative publicity had given rise to "liquidity problems", it said. A meeting of banks and other lenders had been called for this Friday by "one of the company's bankers", believed to be a reference to Standard

Of Mr Nadir's talks with the Turkish government, the board said only that it "draws considerable encouragement from the degree of interest shown by Mr Nadir, in a personal

statement, added only that his talks had been held "with a view to arrangements being will restore confidence in Polly Peck and financial stability to the market in its shares. The extent to which these "arrangements" will underpin the finances of Polly Peck is the biggest open question of

able about this exposure because of the strength of the Del Monte business. Polly Peck's problems are Del Monte business. Polly Peck's creditors will have to make some tough decisions by the end of this week.

of Polly Peck's shares on September 20, so any impact on prices was undiscernable. The ratings of the company's

speculative - rather than investment - status, and the downgrades further reduce its

all arranged by Warburg Sodi-

Polly Peck will have to cover redemption and interest costs on one of the deals, a SFr50m issue of 64 per cent bonds which matures on November

19. That deal was last quoted at 97%, prior to the suspension of trading. But turnover of the Swiss franc deals is consistently low, because the paper is tightly held by retail inves-

traded either, although they have not been officially suspended.

They were last quoted at about 53, having lost about 30 points prior to the suspension of the shares at 110p. At those levels, the premium on the



Asil Nadir: fall in the Polly Peck share price had 'given rise to

	<u>(1</u>	Current	Date of payment	Corres - ponding dividend	Total for year	Tota last year
Barry We	bmillerfin	4.3	Dec 7	3.8	6.5	5.6
Beckmer	: (A)fin	3.15	Jun 3	3.15	4.78	4.78
Boosey &	l Hawkesint	. 4	Nov 14	3.3		12.3
Johny	fin	6	Dec 7	6.5	8.25	7.5 7.5
Jerwent	Valleyint	. 2.75	Nov 28	2.5 1.32	-	4.6
oeffex	int	1.32	Dec 3	2.25	•	6
bstock J	ighneenint	2.25‡	nec s	1.56	2.78	221
Joyds C	hemistsfin	. 2	Nov 14	0.45	0.85	0.75
Jesory E	statesfin	0.4	Decree 144	1.2	0.00	3.7
alme -		nii ·	Jan 2	1.95		6.1
Itterd G	ernerint	0.25 3.75	- Jan 1 4	3.5	6.75	5
will strike	dustriesfin		Dec 10	1.525		5.355
icars	int	1.525	Nov 12	-		3.3
كلهاللهظ	insulint	1.8t	NOV. 16	3.6		70
'elfos	ird	3.6t	Nov 28	4	7.5	6.5
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Statements which leave more questions than give answers to major concerns

By Richard Waters and Clay Harris

THE SHAREHOLDERS, bankers and creditors of Polly Peck. International had waited least, they provided the surface, were more enlighted as the surface, were more enlighted as the surface, were more enlighted as the surface were raised by his statement. Were any of the shares that break its allence following the collapse in its share price and

suspension by the Stock Exchange on September 20. But the statement, or rather three statements, which came at shortly before 10pm on Mon-day, left them disappointed, if not surprised given the diffi-culty over the years of getting a straight answer out of the

One City regulator familiar One City regulator familiar with the difficulties the Stock Exchange has had in its prolonged discussions with Polly Peck over the past week said yesterday. "For every answer, there is another question. For every statement, you have to look behind it."

Monday night's announce-ments left at least the two most important questions

 What is the extent of Polly Pock's financial crisis?

Where are the Serious Fraud Office investigations into a possible share support operation likely to lead?

The only revelations touched on Mr Nadir's personal liquidity crisis, rather than that of the company.

Of its own business, Polly Book and only that on the company. Peck said only that operating companies had not been materially disrupted by recent events. However, no figures were provided of either the profits or operating cash flows of group companies.

This lack of verifiable figures in the companies of the companies of group companies.

statement did not clear the way for trading to resume in Polly Peck shares. This is now unlikely to happen for

One difficulty is the liquidity problem to which Polly Peck confessed on Monday night. Until the company can establish the security of its financial outlook - with or without the support of Turkish banks the Stock Exchange quotations panel cannot conclude that an orderly market is possible in the shares. That may be the central concern at the Stock Exchange, but its doubts are

believed to range wider.
With Polly Peck's losing its
place in the FT-SE 100 index of leading companies, barely a year after the takeover of Del Monte led to its promotion to the top division, much of the pressure for an early resumption of trading has been Polly Peck is now just another share, not one of the

elite, and many such compa-nies have lived in limbo for

eral Swiss banks or Swiss branches of other banks had held Polly Peck shares as col-lateral against loans advanced

Mr Nadir revealed that sev-

to a company and a trust in which he had an interest. They rushed to dump part of these holdings on the stock market, precipitating the collapse in the share price and the suspengion of trading.
Of 16.65m shares sold by the

banks from the end of August, the bulk - 10m - were sold on the day the shares were suspended, as it emerged that the Serious Fraud Office had searched the premises of South Audley Management, a com-pany linked to Mr Nadir, and that Mr Nadir himself had been summoned to the SFO for questioning.
The banks involved were the

Swiss arms of Citicorp, SG

Mr Nadir said publicly he had bought the same ones which were being sold by the banks, without disclosure until Mon-Why did Mr Nadir's state-

ment refer to "margin loans"

- which implies he put up a
fraction of the price and owed
interest to the lender on the impaid balance — and yet the accompanying disclosure table speak of "shares placed with [the banks] as collateral for facilities", which suggests he was raising money with the shares as security? In other words, was Mr

Nadir borrowing money to buy shares or hocking his shares to raiso cash?
In any case, Mr Nadir said on Monday that his holdings in Polly Peck had fallen in value from £400m to £100m. "My

underlying financial position,

Until the company can establish the security of its financial outlook the Stock Exchange quotations panel cannot conclude that an orderly market in preside in the shares. That may be the central

Warburg, Credit Suisse, First National Bank of Chicago and Merrill Lynch. It was Citicorp's sale of 7.9m shares at 10.20am on September 20 that started the rush for the exit. The shares plummeted from 243p to

108p during the day. Even though the sales started on August 31, Mr Nadir said in his statement on Monday that he had not been formed of any of the sales by the banks until at least Sep-tember 20. This explains why none were announced to the stock market earlier, as they should have been had Mr Nadir known of them. All the stock market did know, or thought it knew, in

An announcement on September 13 said that he had bought 7m at prices between 255p and 277p a share. The cor-rect number was 6m, according to Monday's statement, although no reason was given for the earlier mistake. The purchase came after

banks had already sold about 3m Polly Peck shares pledged as collateral by Mr Nadir's

company and trust. Mr Nadir is left holding 24.22 per cent of

the run up to suspension was

that Mr Nadir was buying

remains strong."
But he added that the fall in But he added that the fall in the share price, coupled with his recent share purchases, had "given rise to problems of liquidity. These I am urgently addressant."

No further information was given on Mr Nadir's personal financial position. It was also left unclear to what event Mr.

left unclear to what extent Mr Nadir had been able to pay for the £30m of shares he bought in Polly Peck between September 4 and September 20, or whether his brokers have been left footing the bill.

In other respects the state-ments left much unanswered. For instance, little information was given on the extent of Mr Nadir's relationship with South Audley Management. No mention was made of any relationships with Ms Elizabeth Forsyth and Mr Jason Davies, the South Audley staff whose activities are being studied by the investigators.

What did emerge is that Mr Nadir is a principal beneficiary and life tenant of a Nadir family trust which owns South Andley. The company is said to

which is not solely dependent on my interests in Polly Peck,

provide "management and the administration services to all.

Moody's downgrades offshoot's rating

By Tracy Corrigan

THE CREDIT ratings of Polly September 21. Peck International Finance, a wholly owned subsidiary of Polly Peck International, were downgraded yesterday by Moody's, affecting over \$600m (£319m) of debt.

There has been no trading in the debt since the suspension

outstanding Swiss franc bonds were lowered from BA1 to BA3, and its convertible preference shares from BA3 to B2. This paper was always of

Polly Peck has six issues
(£246m) outtotalling SFr600m (£246m) out-standing in the Swiss market,

Trading in all those deals was officially suspended by the Zurich stock exchange on

Polly Peck's outstanding \$110m issue of convertible bonds, due 2005, are not being

bonds had expanded to 66 per

Polly Peck also has a £100m commercial paper programme, arranged by Hill Samuel.

BUILDING CONTRACTORS AND SUPPLIERS

Falling brick demand cuts Ibstock to £22m

By Andrew Hill

FALLING DEMAND for bricks in the UK and US cut first-half profits by 30 per cent at Ibstock

The building materials and forestry products group made £22.2m before tax in the six months to June 30, compared with £31.8m in the equivalent period. The company warned that second-half profits would be even lower.

Mr Ian Maclellan, joint managing director, said yesterday: "We are going to come through 1991, which I think is going to be one of the worst years in our history, and when interest rates are cut we will bounce back."

Tostock held its interim

dividend at 2.25p, despite a 32 per cent drop in earnings, from 10.24p to 7.01p. Group sales moved ahead slightly to £176m

However, Mr Maclellan and Mr Richard Boxall, the other joint managing director, said they were happy with the performance of Ibstock's UK business, which increased market share in spite of slackening demand. Trading profit in the UK slipped from £15.8m to £18.7m on turnover of £42.2m (£46.9m).

Prices fell by 13 per cent, but Mr Boxall said the group's bricks, which are at the top end of the range, had held up well against an estimated average decline in prices in the industry of about 20 per cent. The group's US brick-making activities slipped into the red in the first half, losing \$524,000, compared with profits of £4.04m in the equivalent period.

Turnover was almost static at £41.4m (£41.6m) as the number of new housing starts in the north-east of the US — Ibstock's principal market fell by more than 25 per cent. The group has started to reorganise its US activities and took the initial £3.78m cost of rationalisation below the

On mainland Europe building product profits increased to £1.78m (£1.56m) on sales of £12.1m (£9.47m).

products business suffered from a fall in pulp demand and prices. Trading profits fell from £10.5m to £6.75m, although sales rose to £80.7m (£77.1m). Ibstock also announced yesterday it would pay up to £3.7m for two small UK companies: Hathernware Ceramics, which makes decorative moulded cladding and also manufactures specialised stoneware for the chemicals industry, and Ceba Building Components, which produces reconstituted stone

This year marks the 20th anniversary of the merger between lbstock Brick and Tile Company and woodpulp agent Johnsen Jorgensen and Wettre. Therein lies the problem for the group's shares: people like the lbstock, but are nervous about the Johnsen. Under the circumstances, the UK brick huntress has had a splendid first balf. Not only are prices for its upmarket bricks firmer

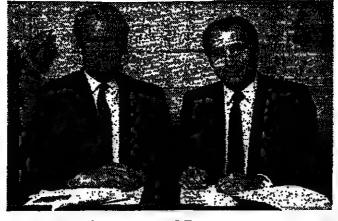
ing slump with surprising ease. Having foreseen the current economic gloom earlier than

many of its competitors and

for its interiors division and 80

per cent of its contracting business, half Raine's profits are relatively safely in the bag. However, it is on Hassall's shoulders that Raine Indus-

tries' fortunes in 1991 depend



Richard Boxall (left) and Ian Maclellan, joint managing director of Instock Johnsen: happy with the group's performance

margins are still an amazing 32 per cent. Pulp, on the other hand, is in a hole, and there is worrying uncertainty about how deep it will be. That sug-gests to some analysts that the group will make as little as £20m next year. Forecasts for the current year are grouped at

Lower margins and interest hit Ward Group

Lower margins and higher interest charges left Ward Group, the steel and building components company, showing taxable profits of £5.28m in the six months to end-June, an 18 per cent fall on last time's 66.43m.

Mr Nigel Forsyth, chief exce-Mr Mgel Furryth, chief exco-utive, said prices in the UK had been under severe pres-sure as a result of declining trading volumes. However, the group was insulated from the UK fall by the continental Europe businesses which had continued to grow. He added that gearing was expected to fall in the second half with a consequent reduc-

balf with a consequent reduc-tion in interest case. The not charge for the period was £912,000, against £33,000. Turnovar for this North Yorkshire-based company improved 30 per cent to \$95.98m (\$73.67m). More than one third of the increase was generated in continental Europe. After tax of £1.79m (£2.15m) earnings per share were 13.9p (19.6p). The interim dividend is maintained at 2.4p. about £35m before tax, which puts the shares, unchanged at 90p yesterday, on a prospective p/e of about 8. The company has been commendably open about its anxieties, but this is still too early to buy on the basis of recovery in the hous-

Colrov down 35% in difficult conditions

Colroy, the Buckinghamshire-based residential property developer, yesterday sunounced a 35 per cent drop, from £4.37m to £2.86m, in taxable profits for the year to July 31. Turnover fell £2 per cent from £90.43m to £15.89m from £20,43m to £15,89m.

The company builds houses in the north-west of England, the most bildlands and Bast

lts balance sheet shows shareholders' funds of £13.5m and nil gearing. However, according to Mr Jonathan Jacobs, chairman, "a reduction in interest rates is the essential factor to an increase in sales and consequent improvement in profitability". Colroy's land bank — "val-

ued on a prudent commercial basis" – shows a "substantial surplus value over cost and

surpins value over cost and strongly underpins our competitive ability," he added.

Despite the profits setback, a final dividend of 6p is proposed, lifting the total for the year by 0.75p to 8.25p. Earnings per 10p share dipped to 23.95p (30.48p). Mr Glyn Roberts, Quilter's managing director, expects the deal to be completed by the end of the year. Channel Island Portfolio Managers, which has funds of

Lep adopts 'relaxed' stance as ADT raises holding to 21.8%

ADT, the electronic security and vehicle auction group, has increased its stake in Lep Group, the security and distribution company, from 14.8 per cent to 21.8 per cent. Lep owns National Guardian Corporation, one of ADT's main rivals in the US security

ADT told Mr John Read Lep's chairman, that it was going to announce the stake increase yesterday morning, but apparently the group did not indicate any change in its attitude towards the investment. Lep's shares rose just 1p to 164p yesterday.

Mr Read said: yesterday:

"We're quite relaxed about it. The shareholders can do what they like; it's our job to provide value for them."

Increasing the holding to

more than 20 per cent will enable ADT to take a share of Lep's profits into its own accounts, instead of enjoying income only from dividends.

The move was linked in the market with a 19p drop in the rity (Holdings), another of

ADT's rival security compa-nies, to 1890. Last September it was revealed that ADT had a stake of just under 5 per cent in ASH. Since then ADT has reduced its stake to below 3 per cent and there was speculation yesterday that it was sell-

ing more shares.

Mr Tom Buffett, ASH's chairman, blamed technical factors for the share price movement. The Bermuda-registered group still has \$1 lbn of cash and liq-uid securities in its balance shost. ADT's shares rose 3%p to 144p yesterday.

GrandMet buys French cakes business from BSN

GRAND Metropolitan yesterday extended its operations in the European baked goods market with the acquisition of Belin Surgelés, a leading French frozen cakes and pastries business, from BSN, the French foods and drinks group. GrandMet did not disclose

the purchase price but analysts' estimates put it between £10m and £12m. Belin, which operates from two modern production sites at Castelsarrasin, near Toulouse, and Chamelet, near Lyon, employs more than 200 people and has turnover of £20m. The company manufactures

and supplies a range of frozen erts, cakes and pastries for both the retail and catering

QUILTER GOODISON, the London-based stockbroking subsidiary of Commercial

Union, the general and life insurer, is negotiating to

acquire Channel Island Portfo-lio Managera, a Jersey-based

The acquisition will strengthen GrandMet's recently created European Baked Goods Division which includes Gringoire Brossard and Vinchon Jeannette in France, Driehoek in the Netherlands, Brossard in Bel-gium, Fleur de Lys in the UK and Goldstein and Backtost in Germany, and has turnover of

 GrandMet yesterday declined to comment on reports that it is considering the sale of its pub-restaurant chain of 200 Berni Inns in the

Disposal of the operation would help to reduce the company's debt which at the half year ended March 31 stood at 96 per cent of shareholders' funds.

four former executives of city firms who had left Jersey.

Quilter Goodison was until relatively recently one of the largest firms estering for pri-

vate investors. It was acquired by Commercial Union from its

former parent, the French

bank, Paribas, in September

with CU's aim to develop its financial services business and

comes when many firms have dismantled their Channel

Island operations.

The acquisition is in line

Reliant pulls out of property

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RELIANT GROUP, the USM-quoted maker of Metro-cabs and the three-whoeled Robin cars, has completed its withdrawal from property by selling its Wiscoak subsidiary

for £1.

Reliant said it was now free to concentrate on vehicle manufacture. The property activities date back to May 1989 when two housebuilding convenies. Wiscock and Belmont

when two housebuilding companies, Wisecak and Belmont Homes, reversed into Reliant. The board decided to dispose of the loss-making property division to reduce borrowings.

The Staffordshire-based company also said it had abandoned its plan to buy Ex-Press Plastics, which specialises in the moulding of glass-reinforced plastic products. This followed a downward redision of expectations for Ex-Press and the withdrawal of press and the withdrawal of some banking facilities previ-ously agreed for the £1.9m pur-chase. It involves receinding a

The £5.5m raised via a one-for-one rights issue this sum-mer has also been put towards debt reduction.

debt reduction.

The group said its borrowings on September 30 were \$2.5m, compared with \$23.5m in September last year.

In the six months to March 31, Reliant made a pre-tax loss of \$4.2m on turnover of \$10.1m.

The share price closed The share price closed nebanged at 8p yesterday.

Prudent Raine jumps to £27m

By Richard Gourlay

RAINE INDUSTRIES, the house and building contractor and interior designer, yester-day displayed the rewards of its caution ahead of the current economic downturn.
The Derbyshire-based group

lifted taxable profits for the 12 months to June 30 by more than 17 per cent to Raine was able to cut its debt from £9.8m to a net posi-

tive cash position at the year end of £2.5m. The shares closed up 5p at The company switched the

emphasis of its Hassall Homes housebuilding business towards cheaper houses and also cut the stock of land on its books, increasing its use of options to buy land. Profits from housebuilding, which is entirely based in the north of England and Scotland, survived the slump that has hit the south-eastern market

and rose marginally to £14.38m on sales ahead 12 per cent at The group raised the depen-

dence of its Hall and Tawse

building contracting and commercial property development division on public sector business to over 50 per cent of

Profits from Hall and Tawas rose 36 per cent to £9.81m on turnover up 30 per cent at £215.09m with margins holding up in the relatively buoyant Midland and Scottish markets. For the first full year, Raine enjoyed the full benefit of the Plumb's interior contracting business which it bought for £26m in May 1989. The interiors division con-

tributed profits of £3.09m, compared to £1.69m in 1989. Overall sales increased 35 cent to £399.94m

(1296.18m). Earnings per share advanced from 12.7p to 14p and a recom-mended final dividend of 3.75p brings the total for the year to 5.75p, a rise of 15 per

@ COMMENT When most other housebuilders and construction comenies seem to be crumbling,

and, as a result, the company's advance now looks likely to slow. Hassall is dependent on the behaviour of UK interest rates and its absume from the ravaged south east house market no longer guarantees immunity from the house slump which is creening north. Notwithstanding the problems faced by its competitors in the interior contracting market, which has helped Plumb's results, growth of this division too is likely to slow. But every-thing is relative and with earnings for 1991 estimated at around 234m giving a multiple of about 7 times earnings, Reine looks a sound proposi-tion compared to many of the

about £150m under manage-ment, was set up in 1988 by

This announcement appears as a matter of record only

September, 1990

Following a fully subscribed tender offer by the Managing Underwriters, the undermentioned institutions have joined the US \$300 million intermediate Sup supporting the financing of new aircraft for

Quilter Goodison expands

British Airways Plc

US \$300,000,000 Intermediate Support Facility

Existing Providers

National Westminster Bank PLC

The First National Bank of Chicago

The Mitsubishi Trust and Banking Corporation

Household Finance Corporation

Mitsubishi Corporation

General Electric Capital Corporation

New Providers

The Dai-Ichi Kangyo Bank, Limited Mitsui & Co., Ltd. The Sanwa Bank Limited, London Branch

The Fuji Bank, Limited The Nippon Credit Bank, Ltd. Swiss Bank Corporation, London Office

Managing Underwriters

The First National Bank of Chicago

The Mitsubishi Trust and Banking Corporation

National Westminster Bank PLC

Facility Agent The First National Bank of Chicago

Paying Agent

National Westminster Bank PLC

Structuring Agent Spectrum Capital, Ltd.

STILL KEEPING BUSY AT SAMUEL MONTAGE : September 1990

Friday 21

Announced a £78 million offer on behalf of Severn Trent for Caird

Monday 24

Announced a £644 million offer for Mount Charlotte Investments on behalf of Brierley Investments. Signed £220m revolving credit facility for South Wales

<u>Electricity/Trydan De Cymru</u> in Cardiff Castle.

Launched A\$100m Eurobond issue for <u>P & O</u>.

Tuesday 25

Advised <u>Clayform Properties</u> in its £3.5 million sale of Stead & Simpson's Mercedes Benz dealership to Evans Halshaw Group

Signed £400m revolving credit facility for <u>Midlands Electricity.</u>

Signed £250m revolving credit facility for London Electricity.

Wednesday 26

Pre-closed the issue by Samuel Montagu of 35,000 Yen/DM currency warrants with a total nominal value of Yen 17.5bn

EVEN IN TODAY'S MARKETS THERE IS ONE MERCHANT BANK THAT'S KEEPING BUSY PROVIDING INNOVATIVE ADVICE AND CREATIVE FINANCING FOR CLIENTS WITHIN THE LIK AND THROUGHOUT EUROPE

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UK COMPANY NEWS

Pittard £1.87m loss as skin prices collapse

By Jane Fuller

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PITTARD GARNAR, the UK's dividend to 0.25p (1.95p), had trading divisions, plus proviously independent quoted warned of losses of 21m to sions of 2400,000, were included Borro only independent quoted leather company now that control of its rival Strong & Fisher is passing to Hillsdown Holdings, made a pre-tax loss of £1.87m in the six mouths to June 30 and slashed its interim dividend.

dividend.

The fall, from a pre-tax profit of £2.01m in the first half of 1989, followed a collapse in sheepskin prices, one of the problems that pulled down Strong, a previous bidder for Pittard Garnar.

Another factor was the fall-ing value of Strong's 27 per cent stake in Pittard, the share price of which fell another 5p yesterday to 44p, compared with last year's high of 303p. Pittard, which cut its interim

£1.5m in July.

Mr John Pittard, managing director, said the eventual outcome was worse because the sheepskin price, which had already failen by 50 per cent between April and June, had dropped by a further 16 per

The collapse, the second in two years, had been aggra-vated by destocking among competitors, including Strong, as they tried to improve liquid-

Pittard had suffered because some customers failed to hon-our contracts made before the price collapse. The resulting loss of \$1.78m incurred by the clothing and chamois and the

as an exceptional item. To try to reduce the impact of price volatility, Pittard was reorganising the business so that it carried less stock and traded with selected custom-

ers, he said. Group turnover increased to £72.21m (£65.91m), following a 40 per cent improvement in the previously loss-making shoe and leather goods division.

Mr Pittard said it was a pity that its return to profitability and a record contribution from the desired division had been the gloving division had been

wiped out. Group operating profit of £2.82m (£3.4m) was reduced by interest charges of £2.53m (£1.39m) as well as the excep-

NEWS DIGEST

term impact on sales of some

A Beckman ahead

Borrowings peaked in the spring at £38m, gearing of about 110 per cent. They were expected to be reduced by more than £16m by the end of the year.

In spite of improvements, it was not expected that the losses could be fully recovered in the second half, he said. The interim loss per share was 6.8p, compared with earn-

OCUMENT.

Pittard was again knocked back by the volatile price of a raw material which is a by-product of the meat indus-try, rather than linked to the nand for skins. Two things give hope for a reversal of the

£144,000 (£141,000).

year to June 30.

ess than 4p for the year.

Thorpe to £1.37m

Export growth helps

FW Thorpe, the lighting equip-

ment manufacturer, increased taxable profits by 10 per cent from £1.24m to £1.37m for the

A 38 per cent growth in exports, particularly in Europe and the Middle East, helped to push up total furnover by 19 per cent to £11.46m (£9.66m).

Earnings ner share mee

Earnings per share rose to 29.2p (26.8p) and a final divi-dend of 5p is proposed, making a total of 7.5p (6.5p). A three-for-one scrip issue is

also proposed. The group hopes to launch at least three new

products in the next six

York share run into losses: the bottoming out of the sheepskin price and a management change. Mr Aden Creedon, who led the turnround in shoes and leather goods, against an inauspicious industry background, has now been set on the ailing clothing and chamois division. Recovery prospects are enhanced by the debt reduction and a

The share price is, however, likely to languish for some Pre-tax losses for the year are forecast to be more than £1m and the prospective yield is only 2 per cent. Any specula-tive premium has been doused. in the short term at least, by Strong's combination with

renewed emphasis on margins.

£314,000 came on turnover of £26.54m (£16.81m), was struck Turnover grew to £35.77m (£22.68m), with the engineering sector operating profit rising to £4.39m (£2.84m) and interest after interest charges of Earnings per £1 share improved to 2.5p (1.6p). Direc-tors forecast a dividend of not costs easing to £372,000 (2751.000).

There was a £199,000 (nil) share of associated companies loss and below the line a \$1.24m (nil) charge for minor-Earnings fell to 7.7p (11p) per share and the interim is

Initial profit of £0.5m for Medeva

unchanged at 3.60.

edevs, the medical research and pharmaceutical company reported pre-tax profits of £522,000 on turnover of £20.21m in the six months to June 30, the first period in its present

The pre-tax figure was after an interest charge of £461,000 resulting from borrowings to finance acquisitions and build up stocks. There was no tax charge leaving earnings per share of 0.48p. There was an extraordinary credit of

Mr Bernard Taylor, chairman, said that the second half should show an advance on the first six months and expected to be able to propose the new company's first dividend.

The group was formed at the beginning of this year by the merger of Medirace and Evans Healthcare. In June it acquired Thomas Kerfoot.

listing By Maggie Urry

Dixons to

drop New

DIXONS GROUP, the UK and US electrical goods retailer, has decided to drop its New York Stock Exchange share listing. It said that only 18
people held the New York
listed shares, which represented much less than 1 per
cent of the group's share capital. Trading in the shares on the New York exchange was minimal, it added.

The move follows some dissatisfaction among European groups about US share listings. Earlier this year Svenska Cellulosa, the Swedish-based pulp, paper and packaging



Robert Shrager: most of 18 US holders were Silo employees

group, withdrew its listing on the National Association of Securities Dealers Automated Quotations (Nasdaq) market in the US.

Mr Robert Shrager, Dixons finance director, said that most of the group's US sharedon market. He said that the cost of complying with the US filing obligations was £40,000 to £50,000 a year, plus management time. Dixons shares

rose 2p to 123p yesterday. He said the move did not affect Dixons' plans for contin-ued investment in Silo, its US business. In the year to end April Silo contributed pre-tax profits of £10.6m to group profits of £80.1m. Mr Shrager and that most of the 18 holders of the US listed shares

were Sile employees.
Citicorp, the bank, is to continue to sponsor trading in the Dixons ADRs.

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FINANCIAL TIMES

Hibernian provision hits Inoco

A £788,000 provision to cut the carrying value of shares in Edinburgh Hibernian contributed to Inoco plunging to a \$2.15m loss, against profits of £788,000, for the half year to

Mr David Hudd, Inoco chairman, said he hoped Hibs' future performance would jus-tify its board's refusal to consider a takeover bid by the rival Heart of Midlothian Foot-ball Club earlier this year. Turnover of the USM-quoted

oil and property group, which has a 26.6 per cent stake in Hibs, was £5.32m (£3.62m). Interest took \$5.11m (\$2.57m), and administration expenses £811,000 (£912,000). There was an extraordinary profit of £815,000 (£125,000 loss)

on investment property sales.

Net income from property sales rose 49 per cent to £4.28m (£2.87m), reflecting favourable rent reviews and an increased portfolio, totalling £125m (£100m), said Mr Hudd. Losses per share came to 1.05p (0.30p envings).

All-round growth at Boosey & Hawkes

sions helped Boossy & Hawkes continue its improvement with

interim taxable profits rising from £875,000 to £1.04m in the first six months of this

year.
The rise was achieved in spite of margins in the instru-ment division being adversely affected by currency move-

Turnover was £23.27m (£21.05m) and the net interest was £829,000 charge After tax of £523,000

(£440,000) earnings per share were 13p (10.7p). The interim dividend is

Interest charges peg progress at Doeflex

Although operating profits advanced 8 per cent to 2906,000. increased interest charges meant pre-tax figures of Doe-fiex, a maker of special plastics materials, showed only a mar-ginal 2 per cent rise to 5717,000 in the first half of 1990, against £703,000 last time.
Sales edged ahead to 29.6m (£9.4m), while interest payments accounted for £189,000

Tax took £251,000 (£246,000) leaving earnings per share up from 5.45p to 5.57p.

The interim dividend is maintained at 1.32p.

Mr Richard Bickerton, chair-

man, said the outlook was good in all main operating areas.

However, the depressed trading conditions, particularly in the construction industry, would continue to have a short

20% to £1.44m A 20 per cent profits expansion was yesterday reported by A Beckman, the textile and property investment and trading

> The pre-tax balance for the 12 months to June 30 - £1.44m against £1.2m last time - was struck after interest charges of £151,000 (£41,000) and included £39,000 (£30,000) from associ-

> > operating profits of £418,000 (£263,000) on turnover of £11.35m (£10.31m). The com-pany described the division's performance since its year-end as "satisfactory".
> >
> > The property division lifted operating profits from £943,000

to £1.13m on turnover of £8.05m (£2.54m). Borrowing were largely long-term, the directors said, and the cash position remained strong. Barnings per 10p share rose to 8.4p (6.3p) and the total dividend is maintained at 4.78p via a recommended final of 3.16p.

REA improves to £406,000

REA Holdings, the plantations and commodity trading group, reported taxable profits of \$405,000 for the half year to The advance from last time's

Telfos advances 18% to £3.42m Telfos Holdings, the engineering and investments group

increased taxable profits by 18 per cent from £2.89m to £3.42m for the six months to June 30. However, there was a 2399,000 loss from investment and property, against an 2804,000 profit, and the group is to disengage from this sector and concentrate on engineer-

This announcement appears as a matter of record only.

October, 1990



Eastern Electricity plc

£415,000,000 5 Year Revolving Credit Facility

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Barclays Bank PLC Manufacturers Hanover Trust Company Union Bank of Switzerland, London Branch Den Danske Bank

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BARCLAYS

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9 & 10 October, 1990 - London

Topics to be discussed:

* How do you raise the money to bid for a commercial broadcasting licence?

* Will Continental Investors come in?

* How great are the opportunities for commercial radio expansion in the UK? * What should the new Channel 5 be used for?

* Will advertising revenues keep up?

* What difference will it make when the commercial transmitter system is privatised?

Speakers Include:

Mr Peter Baldwin Mr Jon Davey

Cable Authority Mr Bruce A Fireman Fireman Rose Umfed

Mr Michael Darlow Independent Programme Producers Association

Mr Michael Braham

Mr Will Wyatt British Broadcasting Corporation

Mr Richard Dunn* **ITV** Association

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Crown Television Limited Mr Jemes Lee

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Please send me further details. I am interested in exhibiting at the conference.

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Post Code Type of Business

Union Carbide Corporation Share Repurchase

Union Carbide Corporation has announced that its board of directors has approved a share repurchase plan. Carbide commenced a "Dutch auction" self-tender offer on October 1 for 20 million common shares, or approximately 14 percent of common

Shares acquired by the Company will initially be held in the Company's treasury or retired or a combination thereof and will be available for the Company to issue subsequently for corporate purposes.

Under the "Dutch auction" offer, each Union Carbide common shareholder will be invited to tender shares at prices specified by the shareholder, ranging from US\$14.00 to \$17.50 a share. The Company will purchase up to 20 million shares at a price within that range. The offer will not be conditioned on any minimum number of shares being offered.

If more shares are properly tendered at a price at or below the price chosen by the Company than the Company will accept for purchase, then shareholders owning fewer than 100 shares will have their shares purchased on a priority basis. Other shares will be purchased on a pro rata basis (with adjustments to avoid purchases of

The tender offer, proration period and withdrawal rights will expire on October 29 unless extended by Union Carbide. On September 28 the closing price of the Company's common stock was £71% the on The Stock Exchange, London, and US\$15.00 on the New York Stock Exchange.

Shareholders will in general be able to tender their shares free of all brokerage commissions and stock transfer taxes, which will be paid by the Company. The sale of shares by individual United Kingdom shareholders will be subject to withholding tax in the United States, subject to reduction or elimination of such withholding tax upon such shareholders completing the appropriate forms, as discussed in the offering documents. Each shareholder is urged to consult his tax advisor as to the particular tax consequences of the tender offer to such shareholder.

MEITHER THE COMPANY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO TENDER OR BEFRAIN FROM TENDERING ANY OR ALL OF SUCH SHAREHOLDER'S SHARES BY THE OFFER AND HAS NOT AUTHORIZED ANY PERSON TO MAKE ANY SUCH RECOMMENDATION. Shareholders are invited to contact:

Penmure Gordon & Co. Limited
9 Moorfields Highwelk, London EC2Y 9DS. Telephone number 071-638 4010

for further information on the procedures to be followed for tendering their shares, as well as for copies on the documents concerning the share repurchase, which will be mailed to them free of charge upon request.

This announcement is neither an offer to purchase nor a mileitation of an offer to sell shares of Union Carbide common stock. The offer is made solely by the Offer to Purchase, dated October 1, 1990, and the related Letter of Transmittal.

Notice to the Holders of Warrants to subscribe for

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Notice is hereby given pursuant to Clause 3 of the instrument dated 24th June, 1985 under which the above described Warrants were issued that the activation of the insurance of DM 70,000,000 5-1/4 per cent. Bearer Bonds of 1990/1994 with Warrants on 20th September, 1990 by the Company with the initial subscription price per share of Yen 835.00 determined on 31st August, 1990 being less than the current market price of Yen 932.00 per share applicable as at that date, the Subscription Price for the above-captioned Warrants was

Subscription Price before adjustment: Yen 810.90 per share
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CAPITAL

3rd October, 1990

UK COMPANY NEWS

Next maintains silence as shares slip further to 22p

By Maggle Urry

SHARES IN Next, the high street fashion and Grattan mail order retailer, fell more than a fifth yesterday closing down 6%p at 220, valuing the group at 280.8m. The shares have fallen this year from a peak of 1089.

The company said it was not making a statement about the price fall or about rumours in the stock market. Next is due to report interim figures on October 16. Next, which is still remem-

Next, which is still remembered as the group which Mr George Davies built up and was sacked from in 1988, has seen its profits fall sharply dur-ing the last two years and ana-lysts are not expecting an early Forecasts for the current

year are for pre-tax profits in the £10m to £15m range com-pared with £26.4m pre-excep-tional profits in the 1989-90 financial year. While the group is not

while the group is not heavily borrowed, with gearing in the last balance sheet at 34.5 per cent, holders of the group's two convertible bond issues

BARRY Webmiller International, the specialist packaging equipment group,

yesterday amounced another strong set of results as pre-tar profits increased by 53 per cent from \$8.09m to £12.34m in the year to end July.

However, Mr Nigel McLean, chairman, yesterday struck a cautious note on prospects.

"Normally . . . we would be confident in predicting a further substantial advance but,

in the current economic and political climate, we must express some caution at this

early stage of the year."

In February the company bought three businesses, financed by the issue of 7m

new shares.

These moves launched it into the manufacture of machines for pressing and coating tablets for the pharmaceuticals industry and, once added to an existing division, made it the world's largest supplier of seroeol filling equipment.

By Clare Pourson



David Jones, chairman, saw heavy trading in shares

are likely to demand repayment in 1982. About £140m of these bonds is outstanding, although Next has been buying them back in the market.
Yesterday Next's shares
were also affected by lowerthan-expected interim profits
from Sears, another high street

year contribution from acquisi-tions made in the US in

November 1988, the food pack-aging equipment division achieved the strongest perfor-mance, lifting operating profits

Vision Systems, which suf-fered a profits setback in the previous year owing to cost

overruns on new product development, recovered to achieve a 20 per cent increase in operating profits to 23.58m (22.95m).

The company said it expec-ted a further period of sus-

tained growth.

The final dividend is lifted to
4.3p, making 6.5p (5.5p) for the

to £5.98m (£3.09m).

and mail order retailer.

Analysts said there was unusually heavy trade in Next shares. The price of the group's two convertible stocks also fell sharply. The 5% per cent 2002 convertible bonds dropped from 89% to 85, where they yield more than 30 per cent to the holders' optional redemption date in January 1992. Shareholders have been anxiously awaiting news of the

iously awaiting news of the disposal of Next's credit card operation, Club 24, and its property activities, together expected to raise about 280m. Sales have taken longer to materialise than expected.

materialise than expected.

However, some news on the sale of the property portfolio, which might raise \$40m is expected with the interim results. The sale of Club 24 may take until closer to the fine results. the financial year end in Janu-

Analysis who have spoken to hadyst who have stones to the company recently say that Next's high street trading is on budget while the home shop-ping side is ahead of expecta-tions.

Barry Wehmiller climbs 53%

Since it joined the market in June 1987, Barry Wehmiller has developed a reputation as a gem among engineers as well as among smaller companies, and these results did nothing to dent the enthusiasm felt for the company by its modest but growing troupe of followers. Even allowing for caution related to the general economic related to the general economic background — though Barry Wehmiller predominantly sells to defensive industries — the company should steam ahead with pre-tax profits rising from rent year. After a lower tax charge, thanks to utilisation of losses in the UK and US, earn-ings per share should work through some 30 per cent ahead. This puts the shares on

Earnings per share rose by to be well-justified by the com-20 per cent to 27p (22.5p). Turn-peny's long-term attractions.

overall demand for serosol machinery was running at below last year's levels. The **COMMENT** other companies acquired in February were achieving satis-factory sales. Fartly boosted by a first full-

a prospective p/e of nearly 8.5. That is a hefty premium to the sector, but one that is thought

Hughes gives up option

Yesterday Mr McLean said over was 277.02m (254.88m).

HUGHES FOOD Group, the food supply and services com-pany, has decided to relinquish its option to buy G Barraclough, a soft drinks manufac-

In return, Hughes will receive £5.25m cash in instalments over the next 2½ years from a private company controlled by Mr John Hughes, its chairman. It will also be entitled to receive an additional navment if Regrandon is sold payment if Barraciough is sold for more than 25.25m before

March 1983. If Hughes had exercised the

December 1968, it would have had to pay up to 24.8m. Inde-pendent directors decided against this because of the dif-

ficulty of raising funds, even though Barraclough would have "integrated well" into Hughes' food activities.

Mr Hughes has never explained why he has been so generous towards other shareholders, apparently without recompense, since he is paying to keep what is already his, without enhancing his interest in the quoted company. in the quoted company.

Lloyds Chemists advances to £13.6m

By David Owen

LLOYDS CHEMISTS, the UK's second largest retail chemist and drugstore chain, yesterday dispensed a 33 per cent improvement in pre-tax profits

improvement in pre-tax profits for the rear to June 30.

The shares climbed sharply to close at 157p — a gain of 19p on the day. "The chemist sector has proved to be very buoyant in a difficult economic dimate," said Mr Allen Lloyd, chairman and chief executive.

Taxable profits at the War-wickshire-based company advanced to £13.61m (£10.25m)

advanced to £13.61m (£10.25m) on turnover shead 21 per cent

on turnover shead at per cent at £179.9m (£149.3m).

The group said that the profit figure included £580.00 of property-related items, against £680,000 in 1989. Inter-est payable rose to £2.23m (£1.67m), although the year-end debt level actually declined to

115.2m from 117.3m.
The results contained only a small contribution from Cross & Herbert, since the £23.2m acquisition of the seventh largest UK chemist chain was not completed until June 21, adding 74 outlets to Lloyds' now 581-store chain.

A revaluation of the group's chemist store licences was conducted, resulting in a substan-tial increase in net assets and a corresponding reduction in gearing. Without the revalua-tion, year-end gearing would have stood at 174 per cent, against 86 per cent after taking it into account.

it into account.
Interest cover for the year
was more than seven times.
Interest rates on £10m of its
borrowings had been fixed for
the next two years, it said.
The group suffered some disruption following the destruction by fire in February of

43.600 sq ft of warehousing si its Atherstone distribution centre. It said, however, that it was "fully insured" for the building, fittings, stock and loss of profits. Between 25m and 25m of sales were lost, according to Mr Lloyd.

The company said that the development of 'own label' products continued to be a priority.

Fully diluted earnings per share increased by 24 per cent to 18.4p (14.84p). A final divi-dend of 2p (1.56p) is recom-mended, making a total of 2.78p (2.21p).

COMMENT

Given the current carpage in the retail sector, it is not altogether surprising that the market has been tardy in recognicing Lloyds' defansive virtues, The company's high gearing (albeit with interest more than adequately covered) can only have reinforced the inclination to hesitate. Investors might to hesitate. Investors might also have been waiting to have their minds put at rest regarding the warehouse fire. The fact remains, however, that prescriptions, medicinal products and basic toiletries remain among the least likely con-sumer items to be seriously affected by the retail slump. Indeed, the company maintains that even its photographic ser-vices have to date come through unscathed. Yesterday's like in the share price reflects this fundamental defensive strength. Even so, with full-year profits of £16m (excluding property gains) now widely anticipated, the pro-spective multiple of well below 9 looks distinctly undemand-

CRT rises to £0.83m as reorganisation continues

By Andrew Jack

CRT GROUP, the training, recruitment and consultancy company, is continuing its transformation of R Smallshaw (Knitwear), the textile manufacturer and dyer into which it revursed last December. Tes-terday it announced an acqui-sition, disposals and first half

sition, disposant and have some profits.

"We have achieved all our sime," said Mr Kari Chanman, a director of CRT, "which were to obtain a full quote, buy prof-itable companies, dispose of the shell and retain significant

The company is selling all its initweer businesses in \$12.5m management buy-out. Of that \$1.5m is payable in cash on letion, £500,000 in a deferred loan notes and 2500,000 in redeemable prefer-It also intends to sail DJ

Stuart, an accountancy adver-tising business, and Link Coffee Sarvices, a coffee distribu-tor, to their respective managements for \$1.8m. vices, a computer staff person-nel agency based in south east England, for up to £1.75m, including a £250,000 dividend.

The company reported pre-tax profits of \$830,000 for its first interior results to June 30. Profits in the comparable period for the knitweer business were 24,000. Turnover was 27.99m (23.65m) and there was an £85,000 exceptional credit from the sale of plant and

machinery.
There was a full six nomits ntribution from Bowerley, a Yorkshire-based sales, training, consultancy and recruitment business, which was the vehicle used for the reverse takeover in November 1989.

Profits also included first time contributions from two businesses CRT bought during the half year for a little less than £28m. Software Personnel, a Birmingham best comput-contract staff agency was bought in March and Link, a

CRT said it had agreed to purchase Scope Personnel Ser-

training company, in June. Earnings per share were 181p (0.16p). There is no divi-

Palma near

MARKETS WORKSHOP

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his important 3-day workshop will benefit all those responsible for managing capital market activities or providing the vital support services.

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Despite an improved

Despite an improved performance by its trouble-some Clothkits business. Palma Group, the Leicester-based textile company, incurred a loss of £909,000 in the seven months to end-July. The company has changed its year-end to January 31. Comparable figures for the previous interim period showed a loss of £403,000. Group turnover amounted to

£1m in red

Group turnover amounted to \$15.54m (£14.48m). Losses per share emerged at 2.75p (1.59p) and the interim dividend is passed (1.2p).

Much of the increased deficit

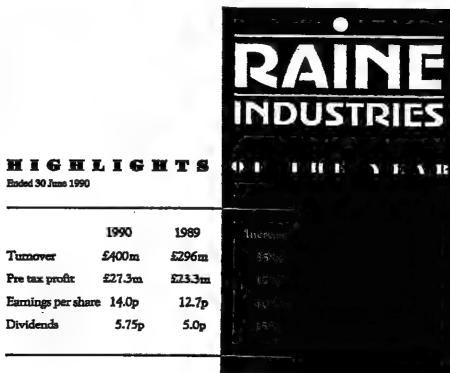
Much of the increased deficit was attributable to the Moni-fort knitwear subsidiary, since closed, where losses totalled £335,000. Costs associated with the closure and sale of masts were taken below the line as an extraordinary charge, after tax, of £235,000. Paima said that cash generated by the clo-

tax, of £235,000. Paima said that cash generated by the closure would amount to more than £500,000.

Mr Peter Balley, chairman, said that Clothkits — which traded with 5 more stores in the period — was taking longer to restore to profits than had been hoped. Nevertheless, the business increased sales by 20 per cent and gross profits 20 per cent and gross profits by 57 per cent. Its trading loss had been reduced by more than £1m compared to the first half of 1989.

ALLIANCE - LEICESTER Alliance & Leicester Building Society \$200,000,000

Floating Rate Notes due 1993 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 28th December, 1990 has been fixed at December, 1990 has been fixed at 15,125% per annum. The interest accruing for such three month period will be £377.09 per £10,000 Bearer Note, and £3,770.89 per £100,000 Bearer Note, on 28th December, 1990 against presentation of Coupon No. 9. Union Rank of Switzerland London Branch Agent Bank 28th September, 1990



"We have again increased both pre-tax profits and earnings per share despite 1990 being the most difficult trading environment the construction industry has seen for many years. Our financial strength with net cash balances at the year end, and the quality of our management, ensure that we are well placed to create further growth from the opportunities which an improved economic climate would provide."

Peter W. Parkin, Chief Executive

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COMMODITIES AND AGRICULTURE

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THE SOVIET minister for the petrochemicals and oil refining industries, has announced his surprise resignation, blaming chaos in the administration and a collapse of government

Mr Nikolai Lemayev's ministry has recently come under sharp criticism for falling to sharp criticism for failing to produce enough refined fuel to supply Soviet needs, in spite of the country's huge oil and gas production. It is also the ministry responsible for the gigantic petrochemical projects planned for Western Siberia and Kazakhstan, many of which have now been shelved in favour of more immediate consumer nomore immediate consumer pro-

He said his decision to quit
was caused by his inability to
have any orders carried out in
the current climate of
"anarchy" in the Soviet

At the same time he predicted that no successor would be appointed as minister, as part of the campaign to abolish "industrial" ministries in the government and to give individual enterprises freedom from centralised orders. Mir Lemayev's interview. crude oil production, instead published in the government incressed refinery capacity.

newspaper Izvestia, reveals more clearly than any recent development the extent to which central government authority has evaporated in recent months.
"Neither (ministerial)

instructions, nor state orders, can change anything," he said.
"In one case, the orders of local suthorities not to obey the cen-tre work instead of the minis-try's order. In another case, it is the dictatorship of the sup-plier, who insists on being paid in kind, especially in goods in

short supply.

"In a third case, green movements are forcing enter-prises to close. This is anarchy."

He said that many ministry employees had left to work in co-operatives and joint ventures. Those who are left do not see any future for themselves. The whole atmosphere in society now is against

The minister admitted that petrol had to be imported at a cost of \$400 a tonne. However, cost of \$400 a tomms. However, he criticised the government for seeking to tackle the prob-lem by ordering increased crude oil production, instead of

"It means giving the oil workers more pipes, pumps and other equipment (all cur-rently in short supply), and also an extra Rbs16bn next year," he said. Installing 10 more oil refining units to produce 12m tonnes of refined products would cost little more than Rhsthn.

Mr Lemayev, who has been closely involved with both international oil and petrochemical companies through his ministry, suggested that he may well move to the "second-ary refining" industry, in which a number of foreign companies have expressed investment interest

investment interest.
As for a successor, 'I think there will not be any," he said.
The major Soviet enterprises in the chemicals and refining industry had proposed disbanding the whole ministry, and turning themselves into joint stock companies.

"Seven major corporations are envisaged, whose administration will be given some of the rights of utilities.

"To be concise, it is to be market economy in our branch," Mr Lemayev said. "We want a new working sys-tem to be left behind us."

'Chaos' charge as Soviet | Inauspicious timing for platinum project

By Philip Gawith in Johannesburg

AS OFTEN happens, the announcement last Friday of the R1.34bn (£185m) Platrest 200,000 troy ownces of platinum 2 year by the end of 1994 coincided inauspiciously with platinum closing that day at its lowest price in four years.

Although there is no obvious connection between the two events, the combination raises the question of oversupply. The consensus locally is that such a risk is indeed real if all producers go ahead with their announced plans either to

expand existing production or to develop new mines.

According to Mr Alex Wag-ner of stockbrokers Davis, Borkum Hare, South Africa produced about 28m owness of platinum in 1989 out of a world total of 3.1m ounces. Estimates are that approximately half of South Africa's production comes from Rustenburg Platinum and about 40 per cent from Impala Platinum.
If all goes according to plan then a further Im ounces of platinum could be supplied by South African mines by the

500 P

mid-1990s. Rusplats is to raise mill throughput at Amandebuit by 140,000 tonnes a month with a smaller 30,000-tonnes-amonth expansion at Union Se moun expansion at Union Section. Together these should yield about 165,000 ounces of platinum a year. The Platreef project, a Rusplats/Lebowa Plats joint venture, will yield roughly 200,000 ounces a year. Together with the increased monthly milling rate at Atok, the two JCI-run groups (Rus-

THE PLATINUM price bounced by \$11 to \$442.50 a troy ounce on the London bullion market yesterday as all prices eased further from the recent peaks. In contrast to gold the Gulf crisis has been bearish for platinum, which is increasingly seen as an industrial metal, rather than an investmewnt medium. The recession threat to the automobile industry has raised doubts about future demand for exhaust-cleaning catalytic converters, now the biggest

nists and Lebows Plats) could and a further 400,000 ounces of platinum a year by the middle of the decade.

Impala has amounced that it plans to increase output from 100m ounces in 1990 to 1.35m by 1995, of which 75,000 ounces a year will come from the new mine at Messina. Barplats aims to bring 170,000 ounces of platinum to the mar-ket by 1992 from their Crocomines, possibly with a further 140,000 ounces by 1996. Gold Fields's Northam aims to supply 250,000 ounces annually by 1993 and Lonrho is also expanding at its Karee and East Plats projects.

Whether all such production materialises or not, there can be little doubt that the plati-num market will be highly competitive for the foresceable future. Mr Todd Bruce, marketing director at Rusplats, says his company has two strategies to deal with the possibility of oversuppply and a low price. The first focuses on the supply side: "Rustenburg and Lebowa's response is to drive unit costs further down the cost curve so that we comprise the

bulk of the lower end of the Then there is the ability for producers to work on encour-aging demand. Mr Bruce says he believes it is the responsibility of all producers to engage in generic promotional activi-ties in proportion to their market share. Expansion and pro-motion of the platinum jewellery market, especially in Japan, which is estimated to comprise nearly 90 per cent of the market, is an example Mr Bruce cites. Markets also used to be diversified - West Germany, Italy and Hong Kong ional attention.

Mr Wagner says he believes the market is excessively pessi-mistic and that the price should improve within the next two months. He also points out that local producers have diversified sources of revenue that help offset a low platinum price. Existing producers sell a lot

of their production at a con-tract price of about \$550 an ounce and hence are not fully exposed to the current low price. Mr Wagner points out, In addition, revenues from sales of rhodium (a by-product of platinum mining) will be more than twice what estimated levels following a hectic price rise Finally, revenues from base nickel, will also have been swelled by high prices in the first balf of the year.

Steel gloom casts shadow over vanadium venture South Africa's new producer faces an unpromising market writes Philip Gawith

Tin producers agree 6% cut

THE ASSOCIATION of Tin Producing Countries has According to the draft communique the extension of what the association calls a "supply 35,843 toames, reports Reuters" rationalisation scheme during 6 per cent lower in 1991 at 25,848 tomes, reports Reuters from Cochabanda. A communique confirming

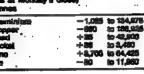
the decision was due to be released last night after receiv-ing formal approval from the ATPC's annual ministerial con-

ATPC's annual ministerial conference here.

Brazil, the world's largest supplier, declined to take up full membership of association this year but agreed to reduce its tin production by the same percentage. Datil now Brazil has only agreed to comply with a voluntary celling on official experts that did not cover ille-

1991 will result in a reduction of overhanging stocks by more than 5,000 tonnes.

The seven ATPC members agreed that the total quota would be distributed as follows: Malaysia 28,556 tonnes,



Indonesia 28,376, Thailand 17,116, Bolivia 12,611, Australia 6,937, Zaire 1,351 and Nigeria China, the world's fourth

largest producer and only an observer at the ATPC, pledged to continue holding its exports to no more than 15,000 tonnes in 1991, the communique said. The meeting discussed the association's failure to deplete world tin stocks, estimated to be 45,300 tonnes at the end of June, equivalent to 12.5 weeks of world consumption.

The conference noted that the stock level remained high

Record year predicted for EC sugar

By Lucy Kellerary in Brazzala

EUROPEAN SUGAR producers EUROPEAN SUGAR producers are heading for record production this year, with a total output of about 14.7m tonnes, the support price, while the support price is applied. SC critistic to which a lawer dicted yesterday in its annial, sungert price is applied, which is lawer that of sugar per hectare has never been higher, with an average figure of 7.84 tonnes, the study shows.

The commission said that under will simply add to

production at this level would overshoot both the Commu-

covers the community's own needs and qualifies for the full quotas will simply add to already mounting surphises — had been left out of its reckon-

to face the threat of over sup ply," the communique said.

tion - up some 203,000 tonnes to 11.05m tonnes for the year 1990-1991. With falling con-sumption by the chemical industry, the figures reflect a large rise in the consumption of sweet foods. However, the projected increase in consumption falls well short of the 414,000 torms rise indicated for BC production. For the 1990-81 season BC exports are likely to be some 4.6m townes in total of which about 2.9m will be

HEN SOUTH African
President F.W. de
Klerk opened the
new Usko vanadium recovery
plant in his home town of should warrant it, this could be boosted to 9,000 tonnes a year in the space of four to six months with capital expendi-Vereeniging last week, the directors were doubtless hop-ing that he would be able to apply his celebrated political baim to the faltering vanadium ture of only Rim (£140m). That seems unlikely, however, given that the industry already has

spare capacity.

Mr Les Boyd, chairman of
Highweld Steel and Vanadium, market.
Currently the spot price for vanadium is just below \$3 a lb of vanadium pentoxide, compared with nearly \$12 in the second quarter of 1989, about the time that the new plant says that Uako is merely aggra-vating an existing over-capac-ity situation. He observes that Highveld alone has more spare capacity than Uako is commis-

sioning.

Vansatum is primarily used as an additive in the steel-making process to fulfil highly specialised requirements. Small amounts impart valuable properties cash or trustle and trustles. The contract price set by Highveld Steel and Vanadium, the world's largest vanadium producer, for the third quarter 1990 is \$3.25 a lb, up from a low of \$2.50 in the first quarter, but well below the \$7.50 of the erties such as tensile and tor-sional strength, toughness and resistance to almanon. Thus-are indispensable characteris-tics of spring steals, tool steels, second quarter of 1999. Most vanadium changes hand at contract rather than spot permanent magnets, wear-re-sistant cast irons and high-strength low-alloy steels. When there is a high market demand for steel it pays pro-

contract rather than spot prices.

Usino's new vanadium recovery plant should have a significant impact upon the world market. According to the South African Minerals Bureau South Africa produced \$1,478 tomes of vanadium in 1988 out of trial wastern world moduce. of total western world produc-tion of 45,641 tonnes. The Soviet Union and China are estimated to have produced 26,000 tonnes between them

(1,540-1,700).

BISMUTH: European free market, min. 99.90 per cent, \$ 100 market, min. 100 market, \$ 100 market, min. 100 market, \$ 100 market that year.

The new Usko plant has an initial capacity of about 5,000 duction which it expects to achieve within the next few months. This will boost total world vanadium production by CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 2.40-2.60

WORLD COMMODITIES PRICES

S price

390-404 390-404 398-404 398-404 398-391 95-87 95-97 447,80-4

p/fine cz

249.05 258.20 267.10

TRADED OPTIONS

strengthen steel rather than to use a heat process. This is because the process is quicker and also because the small amounts of vacadium required are only a fraction of the total

The steel industry uses about 85 per cent of available vanadium, 9 per cent is used as cast-iron production.

that its production will

as an additive to non-ferrous alloys, 3 per cent in chemicals and ceramics and 1 per cent in

Guee, the vanadium market is obviously going to track the steel market closely. This, analysts believe, gives reason for caution regarding Usko's prospects. They point out that the world steel market is unlikely to have another record mer like have another record year like 1989 for some time, and even then there was easily enough capacity to serve the needs of vanadium users. Mr Boyd estimates that 1990 world steel production will be 2.5 to 3 per

MINOR METALS PRICES

MOLYBDENUM: European

free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-house, 2.85-2.92 (2.86-2.92).

190-210 (cowe)

442.5 449.8 463.5 456.5

127.90

0 109.70 0 107.40

COBALT: European free market, min 99.5 per cent, \$ per market, 99.5 per cent, \$ per lb, ib, in warehouse, 4.80-5.50.

In warehouse, 12.00-12.50 (11.80-

12.40).

MERCURY: Buropean free market, min. 99.99 per cent, \$ per cent, \$ per tonne unit (10 per 76 lb fiask, in warehouse, VANADIUM: European free

CINIDE CE (Light) 42,000 US quite Schurre

quickly. It maintains that its venture with Rhombus Vana-Mr Johann Kaltwasser, managing director of Usko, puts a brave face on this unpromising scenario, Although accepting which mines the ore, has cost R68m, whereas a similar plant on a greenfield site would cost in the order of R300m. probably drive the price down further, he maintains that there is still a warsdium short-age that will drive the price up Secondly, like Highveld, Usko has other established activities, in the form of steel again. Low prices, he main-tains, will also dissuade speci-ality steel producers from switching to substitutes nio-binm and molybdenum.

Mr Kaltwasser discounts the and non-ferrous metal divi-

Mr Kaliwasser discounts the anticipated decline in world steel production saying that as vanadium is used in more alternative uses outside of steel, so its price tracks the steel market less closely. Finally, he points out that Usko is obviously taking the long view and will not be distracted by a weak price in the short term.

for two reasons. Firstly, the low cost of establishing the plant means that Usko is under

SELENIUM: European free

market, min. 98 per cent, \$ a Ib VO, cif. 2.75-2.95 (same). URANIUM: Nuexco

sions, profits from which could provide a buffer should the vanadium operation take time to get off the ground. The Usko vanadium recov-The USEO vanadium recovery plant had its origins in USEO's desire to diversify its product range, and the decision to adapt an under-utilised pelletising unit, used in the production of sponge iron, for use as a vanadium reaster. Vanadium seemed an attractive prospect in early 1989.

when, as with ferrochrome, demand took off in the wake of vigorous growth in the world specialist steel market. Hence the joint venture with Rhovan, which will supply the magnetite ore from an open cast mine near Bethanie in Bonhutatswana. Usko has a 20 per cent indirect stake in the mine which cost R35m to

tive prospect in early 1988

establish. It spent R19m on the recovery plant in Vereeniging. Naturally, there is good money to be made. Of South Africa's 1989 production of 33,144 tonnes, 29,550 tonnes were exported at a value of

the extent to which Usko's advent to the market will

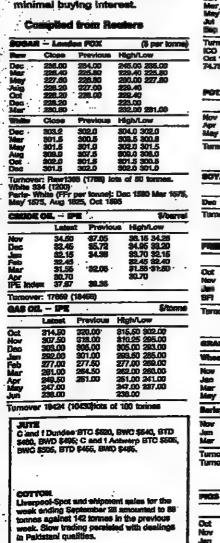
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MARKET REPORT

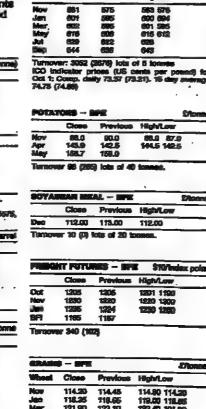
COPPER recovered some ci Monday's losses on the LME yesterday, although news that Southern Peru was lifting its force. majeure prompted a retreat from the highs, dealers said. Market sentiment was buoyed by widening in the backwardation (premium for cash metal) and declarations. News of the 650-tonne fall in LME warehouse stocks was not a major factor as the overall figure is high at 186,925 sharply again, with three-month metal breaching the \$9,250 a tonne chart support level in the morning.

London Mai	kets	
-SPOT GARRETS V-	Burney Land	<u>.</u>
Crude oil (per barrel FOB)		+ 01 -
Dubel Grent Blend (deled) Brent Blend (November) W.T.L. (1 pm est)	\$31.70-1.86y \$36.25-6.35 \$36.16-6.25 \$34.70-4.80y	-225 -192
Of products —	onne CIF) 🧎	+ ar-
Premium Gascilae Gas O2 Heavy Fuel OII Naphtha Petroleum Arges Estimates	\$412-417 \$319-321 \$134-136 \$374-528	-22 -5-2 -4 -16
Other	4 / 4	+ or -
Gold (per troy oz) . Silver (per troy oz) . Platinum (per troy oz) . Palledium (per troy oz) .	\$396.50 4710 \$442.5 \$80.25	-7.76 -2 +11.0 +2.25
Aluminium (free market) Copper (US Producer) Land (US Producer) Notes (free market) Tin (Konda Lumpur merhet) Tin (New York) Zing (US Prime Western)	\$1965 132c 46c 425c 15.59r 250c 73c	+40 -25 +0.32 -5 -6
Castle, (live weight)† Sheep (dead weight)† Pigs (live weight)†	98.25p 119.28p 78.52p	-1.86° -13.1° -1.64°
London delity sugar (raw) London delity sugar (white) Tate and Lyle suport price	\$265.0v - \$209.0v - £260	+22 +30 +2
Barley (English feed) Malze (US No. 3 yellow) Wheet (US Dark Northern)	2117y 2154.5 290	+1.0
Rubber (Nov) . Rubber (Dec) . Rubber (IQ. RSS No 1 Nov	\$2.50p \$2.75p 238.5m	
Cognit oli (Philippines) Paim Oli (Malayalan) Copea (Philippines) Soyabbana (MS) Coston "A" Index Woolnops (Ste Super)	80.30c 436p	-2.5 -3.5 -0.30
2 a pono untern otherwise coenta/to, r-ringelt/fig. q-N Dec y-October, w-Oct x-Au Commission-sverage teletr	ov/Dec. 1-Dec g/Sep- y-Nov	. v-Oct/ . 1Most .

Despite a fairly small 36-tonne rise in LME stocks, traders expect regular shipments of Soviet physical metal, and this undermined sentiment. Zinc prices telt sharply in the morning tollowing a rise of 3,700 tonnes in warmouse socia to 64,425 tonnes — the highest level for eight months. However, prices railled later to close only slightly down on the day. On the London bullion market gold fell below \$390 a fine ounce, while silver touched a 13-year low of around 467 cents minimal buying interest.



Oftonno Close Previous High/Low 783 721 772 760 791 765 811 804 221 851 852 851 679 877 725 762 766 905 827 968 877 Turnover: 5485 (5241) lots of 10 tonnes ICCO Indicato: prices (SDRs per tonne), Daily price for Oot 1 965.79 (882.98) 10 day average for Oct 2 977.45 (881.88) Close Previous High/Low

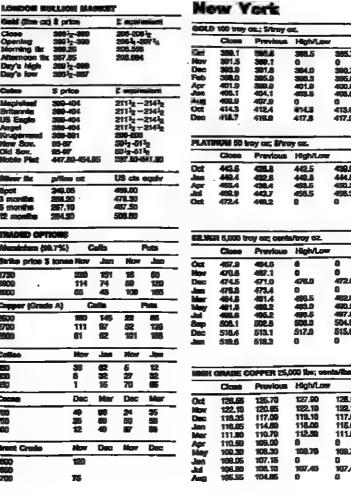


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	Close	Previous	High/Low
DF DF	88.0 145.9 168.7	90.0 142.5 158.0	86.0 87.0 144.5 142.5
ey'			
	M. NO (500	9) lots of 40	11MAGO.
JYA		AL - BPE	Stone
	Close	Previous	High/Low
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	W 10 (D)	lots of 20 to	onmen.
M G	IT PUTU	NES - 37	E \$10/Index point
_	Close	Previous	High/Low
*	1205	1306	1201 1190
	1230	1220	1220 1200
7	1785	1224 1167	1230 1250
12.54	or 340 (10		
		•	
. A.	5 — SPE		Efforme
book	Close	Previous	High/Low
	114.20	114.45	114.80 114.20
	118.25 121.90	118.65 122.10	119.00 118.65 122.40 121.80
y	125.50	125.60	128.00 126.50
rley	Close	Previous	High/Low
¥	112.25	112.75	112.55 112.25
1	116.40 119.50	118.95 120.05	118.40 118.36 119.65 119.46
			scioy 117 (25).
		213 (/bl. 15	
HOVE	r lots of	213 (76), DI 180 tonnes.	search and death.
HOVE	r lots of	213 (76), 61 1 20 t onpes.	
move	r lots of	190 tonnes.	and the good.
move	r lots of	(Ca	oh Settlement) pilog
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25 -	EPE Clase 102.5	(Ca Pravious 103.6	wh Sottlement) play High/Low
26 -	r lots of	(Ca Pravious	wh Sottlement) play High/Low
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25 -	Close 102.5 102.5 95.0	(Co Previous 103.0 103.0 94.0	eh Settlement) přírg High/Low 102.0
25 -	Close 102.5 102.5 95.0	(Co Previous 103.0 103.0 94.0	wh Sottlement) play High/Low

cial Kerb close Open Interest (S per ton Copper, Grade A (E pe Total daily turnover 19,757 lots 116,070 lots Load (2 per torse Cmsh 405-11 3 months 416-8 11,219lots (Sper torme) Total daily ternover 3,009 lois 28h 9350-450 months 9000-50 8,252 lote 6290-300 Cash 1375-89 3 months 1364-6 New York Gold (East oat) & prices

Prices from Matal Bulletin (last

week's in brackets).
ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,650-1,700



34.40 35.81 84.25 \$2.90 \$1.85 30.50 29.45 23.50 27.70 27.05 36.46 35.81 34.40 33.35 32.30 31.25 30.20 38.40 36.50 27.75 34,35 36,81 34,25 32,90 31,86 30,50 29,45 26,50 27,90 27,05 606/2 621/0 634/2 644/2 652/2 647/0 625/0 616/2 SOYABEAN OIL 60,000 ibs; cents/fb 8315 9549 9753 9253 6773 6303 7908 7743 7843 7843 10008 10349 10153 9653 9173 8703 8908 8143 6043 8093 22.74 22.99 23.73 24.01 24.13 84.10 24.01 22.52 22.79 23.08 23.76 23.90 23.90 23.90 23.77 22.76 23.46 23.76 23.89 23.89 23.90 23.75 29.77 24.85 24.10 24.00 23.90 175.5 180.8 182.7 185.4 186.7 187.5 187.2 184.3 1280 1311 1340 1389 1400 1437 1460 1240 1268 1316 1343 1376 1409 1267 1315 1343 1354 0 93.50 96.75 99.00 101.10 102.79 105.00 107.25 10.13 10.15 10.15 10.18 10.22 Mer May Jul Oct Mer 10.11 10.15 10.20 LIVE CATTLE 40,000 lbs; cents/lbs 72.50 71.58 72.20 73.00 73.16 69.86 67.62 72.90 72.70 73.41 74.00 74.20 69.25 67.99 79.82 77.00 75.05 76.72 73.15 71.60 71.75 80.17 77.45 75.50 75.90 73.40 71.75 71.80 73.15 73.73 73.82 69.20 67.88 76.90 74.97 75.65 73.00 71.60 71.75 ORANGE JUICE 15,000 lbs: conts/lbs 141.85 137.40 137.80 138.80 132.40 132.80 142.00 137.40 136.50 137.40 137.40 136.75 132.60 133.50 135.00 58.20 54.57 52.22 48.57 51.67 52.20 50.40 46.10 58.32 54.20 51.35 48.02 51.35 51.45 50.20 45.97 REUTERS (Base: September 18 1931 = 100) Oct 2 Oct 1 moth ago yr ago PORK BELLIES 40,000 lbs; cents/lb 62.20 80.20 62.20 Oct 1 Sep 28 mnth ago yr ago 109.70

(28/11/47) (3/1/78)

GILT EDGED ACTIVITY

marked up at the start of trac-ing, but there was no interest from institutional buyers. The

mood of the market was som-bre as traders assessed the out-

A STANCE OF

are with the same

STA CALL

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Gren Manue!

look for a sector still depressed by high UK interest rates. A sharp move higher in Christies international gave rise to speculation that ADT was increasing its stake, last reported to be 32 per cent. Christies closed 22 up at 249p and ADT ended 3% better at 144p. Fellow auctioneer Soth-eby's Holdings "A" also showed up well, rising 38 to 6630.

look for a sector still depres

LONDON STOCK EXCHANGE

London follows the global advance

THE UK equity market joined in the advance by global stockmarkets prompted by Tokyo's 13.24 per cent leap overnight, but it trailed behind the gains in both the Japanese and US markets. Trading volume improved somewhat in London, but dealers said that much of the business consisted

of "retail selling into strength." Share prices were marked smartly higher at the opening as market makers decided not to wait for buyers to appear. In addition to Tokyo's record decided on the control of t daily gain overnight, London responded to heavy falls in crude oil prices after President Bush appeared to hint at some possibilities of negotiations on

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Accou	st Dealing	Dates		
Tirel Dealings: Sep 24	Oct 8	Oct 22		
Option Declarat	Oct 18	Nov 1		
Lust Dealinger Oct 5	Oct 19	Nov 2		
Account Day: Oct 15	Qct 29	Nov 12		
they time dealings may take place from				

the Gulf crisis. There was also the 2.6 per cent rise on Wall Street overnight.

falled to encourage investors.
The stock futures market played a more subdued role, with the December contract on the Footsie remaining just below fair value. Institutions investment climate still clouded with uncertainty.

The sharp opening gain of 44.5 FT-SE points proved to be the day's peak, and some insti-tutional sellers were soon apparent. London traders took e view that the rise in the Nikkei Average was too "artifi-cial" to be trusted and waited to see how Wall Street would behave.

The new session in New York saw an early gain of 35 Dow points soon trimmed to 27 in London trading hours. Unsettled also by hints of new pressures in the retail sector, London ended well off the top, At its final reading of 2.058.5.

the FT-SE Index showed a gain of 27.7 points, or 1.4 per cent on the day - a modest gain, measured against the performances of the Japanese and US mar-kets. Seaq volume rose to 430.2m shares from Monday's 328.2m; while yesterday's total was an improvement on the poor levels of recent days, it was below anything like bull

Turnover in several blue ing, with ICI trading only 1.3m shares and neither SmithKline Beecham nor Unilever able to reach the 1m mark. In the case

bank Morgan Stanley, whose Chris Pountain said a fall in asset markets may have brought forward an improve-

ment in insurance rates. There was good demand for Sedgwick

whose shares advanced 11 to 185p on exceptionally heavy turnover of 5.2m.

Building stocks were marked up at the start but finished

below the day's best on a lack of buyers. Nevertheless, Red-land moved up 11 to 528p and RMC closed 19 higher at 545p. Both were influenced by the potential gains to be made from increased demand for restriction for New Communications.

materials for East Germany's

A string of company results evoked mixed reactions. While Raine Industries moved 5 firmer to 87p on an increased annual pre-tax profit of \$27.3m from \$2.50m and a finel dividend of \$2.75m and a finel dividend of \$2.75

dend of 3.75p compared with 3.5p, Ibstock Johnson finished unchanged at 90 despite a fall

in pre-tax interim profits to

the downturn was attributed to

a £3.8m debt provision for plant closures and a £524,000 loss in the US compared with a

24.04m profit previously.

EPB Industries added 5 to
190p, following a Monopolies
and Mergers Commission
report that the company no
longer has a monopoly in the
supply of plasterboard, its market share having fallen from 98
per cent to 65 per cent

per cent to 65 per cent.

An increase in the year's dividend to 8.25p from 7.5p failed to balance in the market for a drop in Colrey profits to £2.8m from 24.8m. Despite a strong belavier about the dividend to 1.5p. despite a strong belavier about the strong the s

balance sheet and very low gearing, the company stressed, that UK interest rates would

have to decline before there

was an upturn in profits from housing sales, and the price

fell 5 to 105p. Amersham International.

the health and household

group, suffered when a leading securities house reduced its

full-year profit expectations to £20.5m. The forecast, made

marks a new low among cur-rent market estimates and the shares reacted with a full of 10

to 200p. The interior figures are

due next month.

Chemical group Laporte drew support and rose a further 7 to 457p as Goldman Sachs, the US investment

Sachs, the US investment bank, accorded the stock a buy rating. With the benefit of a strong balance sheet, following this year's rights issue, and with reallient earnings pros-

pects, the shares are attractive

in the current environment said Goldman.

Leading brewerles were encouraged by BZW taking a more upbeat stance on immedi-

ats prospects, after having been broadly neutral for the past three months. Of the

stocks receiving "overweight" recommendations, Grand Met-ropolitan, also a Pannure Gor-

reconstruction.

were unwilling to push the futures contract higher in an attempted rally.

having failed to sustain an Reuters (2.7m), the increased trading volume included significant selling pressure and both share prices closed well below

Ord. Div. Yield Earning Yid %(full) P/E Ratio(Net)(*)

SEAC Bargns 4.45pm Equity Turnover(Em)

their opening levels.

The modest brightening in the international scene was balanced by renewed uneasiness over the outlook for the estic economy. The spotlight returned to retail stocks where Next, the high street fashion chain, gave ground in fairly heavy turnover. Shares in Polly Peck International, the from and consumer electronics group which was removed from the FTSE 100 stock list on Monday, remained

visits by analysts.

Telecom advanced 17 to 254p

following strong support from Goldman Sachs.

British Telecom performed badly, unsettled by worries that Oftel may cap interna-

tional call prices, and essed 4 to 264p, on 8.1m. Cable & Wireless were undaunted by worries about call pricing and the duopoly review expected in November, and moved up 8 more to 425p.

more to 425p. Takeover speculation

remained focused on STC, which added a further 5 to 2569 on 2.4m. Amstrad, due to

report next week, edged up 8 to

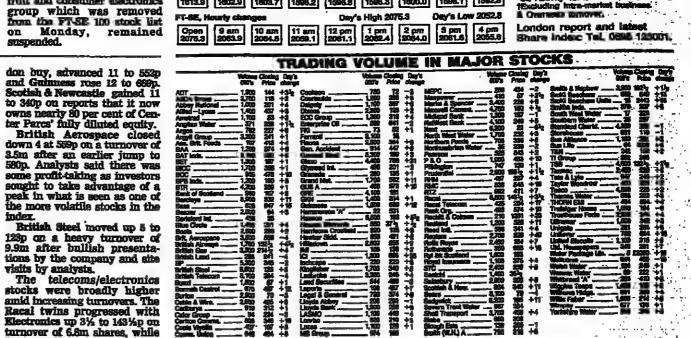
12 to 400p as confidence over the proposed Channel tunnel refinancing grew and the com-

pany amounced good progress with the tunnel in September. Next continued to suffer

from talk that it was facing

117.1024 (Trass. 149c *9-0. 96-4 92-2 Exch. 12s. 1499-02 96-4 85-2 Conservice 10sc 2002 96-6 81 is Trass \$19c 2002 91.17 76-5 Exch. 9c 2002 91.17 76-5 Exch. 9c 2002 117-2 102-2 Trass 10s 2003 196-7 93-6 Trass 10s 2004 96-1 79-1 Consense 19-5 pc 2005 96-1 79-1 Consense 19-5 pc 2005

11.22 12.65 12.65 12.65 11.26 11



Day's High 1613.9

FINANCIAL TIMES STOCK INDICES

Based on trading volume for most Alpha securities dealt through the SEAC system yesterday until 4.50pc difficult trading conditions. There was also concern about its ability to sell its property and financial services inter-ests. Next closed 6½ lower at 220 on heavy turnover of 6.2m. Lloyds Chamists ross 19 to 157p after final profits of £13.6m compared with £10.2m

the previous year, Analysts had expected 212m. Hopes that the underper-formance of Gestetner since the late-June interim figures was coming to an end nudged the price higher to 185p. Mr Richard Harwood of Schrolen Securities suggested that the shares would be significantly higher by the time the annual results are released in January.

Leather group Pittard Gar-ner dropped to 41p before rally-

at 44p after cuiting the interim dividend payment and reveal-ing an interim loss. Rival leather concern Strong & Fisher, holder of a 27 per cent stake in Pittard following an abortive bid last year, was mmoved at 20p.

There was a turnover of 4.9m shares in Maxwell Communi-cation in anticipation of an announcement by Mr Robert Maxwell scheduled for yester-Maxwell scheduled for yester-day evening. The statement was expected to detail the sale of up to £450m in assets which must be disposed of to reduce a £1.95m debt. Analysts said the volume was made up of two-way trading. The price remained stable, hardening %

efit from the firmer market

A Other Merket statistics. including the FT-Actuaries share index, Page 22

CANADIANS

25.54 15.55

IREO/PCons TVX little

Setback in retail sector

THE DIFFICULT conditions in the retailing sector were under-lined by the 32 per cent fall in interim profits to 2614m. Serry shares essed 4 to 79p as 8.1m changed hands. Once the effect of its property interests were stripped out, profits were £41.8m. This compared with analysts' expectations of £50m and £71.2m last

However, Sears maintained the interim dividend of 1.52p, which provided support for the are price. Analysts lowered full-year forecasts, with County NatWest cutting from £152m to £110m and Hoare Govett from £134m to £112m.

Trafalgar fears

Trafalgar House faced another downgrading yester-day. Mr James Ritchie of Salo-mon Brothers expects the dividend to be cut and earnings per share to fall to 25p from 33.9p. He estimates a halved final dividend of 4.8p for a fullyear payout of 18.6p, compared with the previous year's 17.6p. Predictions for 1991 are simi-

The analyst believes the dividend cut will be necessary to conserve cash flow and to allow the group to keep its debt/equity balance in check. While other Alpha-raied stocks were displaying strength yes-terday, Trafalgar shares fall 8 to 194p in moderate turnover.

Security alarm

Automated Security (Holdings) (ASH) was among the market's casualties, with the shares retreating to close a net 19 lower at 1880 amid speculaate, may be about to sell its shareholding in the group. ADT was revealed in September 1989 as holding a 4.9 per cent stake in ASH but this has been reduced to below 3 per cent. ASH specialises in the design, manufacture, installation and insintalnance of men. tion and maintainance of security systems.

There was also speculation in the market that ADT might be about to launch a full bid for Lep Group, another companyinvolved in the security pusiness. ADT said yesterday it had increased its stake in Lep by 4.25m shares, taking its holding to 29.88m shares, or 21.8 per cent. ADT shares moved up 4 to 144p on the

news. Renters moved up again with a heavy turnover of 2.7m shares on the back of a strong Wall Street and an announce-

ment that the company had signed a marketing agreement with Effix Systems of Paris for worldwide distribution of worldwide distribution of Effix's trading room software. Shares were up 61 at one stage but closed up 40 at 828p.
Glaxo jumped 31 to 788p on a 4.4m turnover reflecting busy buying in New York and confidence about new drugs in the research and development pipeline, particularly a new anti-migraine drug.

Another retreat by crude off prices, as specialists increas-

prices, as specialists increasingly took the view that an outbreak of war in the Middle East is slightly less likely now after recent statements from the US and Iraqi leaderships, ensured another bout of under-

performance from the oils sec-

BP lost 3 to 344p on turnover of 5.3m shares and Lesmo gave up 4 to 449p on 1.1m. There was good support, however, for British Gas, which added 4 at 214%p on 3.5m, and Shell, 3% ahead at 457%p on 3.7m. The latter has outperformed work of the oil stocks in recent ses-alons. Ultramar shoogsed calde stringent pollution controls in California, and settled 3 firmer

at Map. Clyde Petroleum eased 2 to 187p after the \$100m issue of loan notes to US insurance

tained its strong showing, clos-ing a further 12 higher at 485p, but dealers were sceptical of stories that SHV, the privately owned Dutch group, had been adding to its last-revealed

stake of 9.14 per cent. "Recent turnover in Burman would indicate that if SHV had attempted to add to their stake – and I'm doubtful of that – then it would have been by minimal amounts; the shares are responding to being over-sold, nothing more," said one

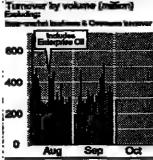
The high street banks continued to attract heavy two-way turnover. Barclays, where almost 6m shares changed hands, were the busi-est stock in the sector, and the shares moved ahead strongly to close 11 firmer at 332p. TNB, on turnover of 4.6m, edged up 2% to 122%p, despite the recent profits downgrades.

Standard Chartered, the most volatile of the banks in

recent sessions, was not far behind with 4.3m shares traded; the stock settled a fraction off at 285p with the mar-ket increasingly nervous late in the day when a line of im shares was traded. Lloyds put

FT-A All-Share Index

Equity Shares Traded



on 9 to 256p on 1.6m shares but Midland remained unsettled, closing marginally off at 197p ciosing marginally off at 1979 on 1.3m shares. Abbey National, whose defensive qualities have kept the share rating at the top of the list of banks, rose 4 to 201p.

Bank of Scotland, due to report interims today — Hoare Govett has forecast pre-tax profits of \$106m against last

profits of £106m against last time's £99m - managed an improvement of 2 to 107p.

Life assurances progressed arous the board, with demand stimulated by a bullish circular issued by Mr John Marr at Charterhouse Tilney, Mr Marr said the Association of British insurers' proposals for a new method of reporting life compa-nies' profits were extremely bullish for the valuation of life stocks and that he expected a very significant increase in reported earnings, a major capital transfer to shareholders' balance sheets and a single-figure price earnings ration for "a major rerating for the sec-tor." Legal & General, one of Charterhouse's best buys in

lifes, added 6 to 373p.
Guardian Royal Exchange's recent outperformance was brought to a halt, the shares closing unaltered at 181p, but other composites rose strongly, especially General Accident which added 9 at 447p.

The insurance brokers

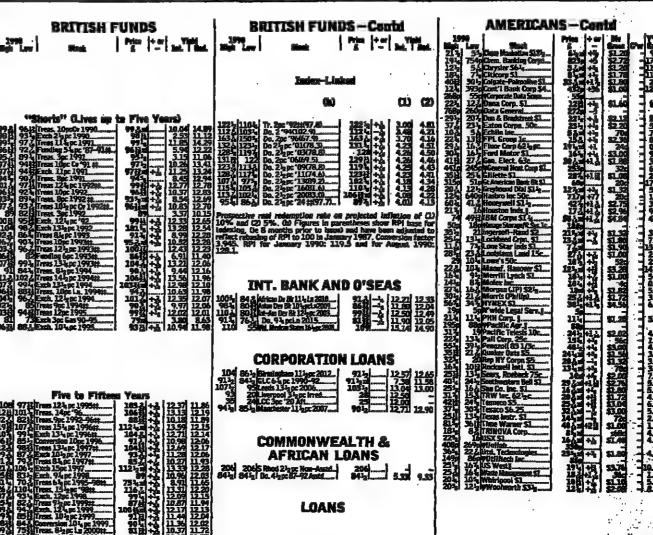
responded to persistent demannd from Hoare Govett and a strong buy recommenda-tion issued by US investment

NEW HIGHS AND LOWS FOR 1990

CHE, CONSTRUCT (1905). Ellen, Ellen,

LONDON SHARE SERVICE

to 150p.



Building Societies

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FOREIGN BONDS & RAILS

AMERICANS

Price + or Str % But.

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59 - 3.50 77.00
56 - 2 64.00
56 - 2.75 3.57
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APPOINTMENTS

Chairman of Hunting **Gate Group**

Mr John Redgrave, chief executive of HUNTING GATE GROUP, becomes chairman of the group and associated companies following the retirement of Mr Cecil Baker. Mr Ernest Sheavills has been appointed group managing director.

■ THE THROGMORTON TRUST has elected Mr Ian Stewart, MP, as chairman, succeeding Lord Exra who will remain on the board until the annual meeting next April.
Mr P.H. Courtney has been appointed finance director.
He was finance director of The Boots Co. Mr J.C. Orr becomes a non-executive director. He was managing director and head of investment banking head of investment banking of Merrill Lynch Europe. Mr W.M. Windsor, formerly Joint managing director of Vickers, is made a non-executive

BARCLAYS de ZOETE WEDD INVESTMENT MANAGEMENT has appointed Mr Ronald Gould as managing director, international, and Mr Lindsay Tomlinson as managing director, UK.

SALOMON BROTHERS, London, has appointed Mr Michael Saunders as UK Kyprianou becomes vice president and senior fixed income portfolio manager. He was with Citibank Investment

SANWA BUSINESS CREDIT (UK), a new joint venture company between The Sanwa Bank, Tokyo, and Sanwa Business Credit Corp, Chicago, has appointed Mr Ryuzo Okuto

as president.
Other appointments include:
Mr D.M. Nesta and Mr H.
Masutani, managing directors,
Mr P.J. Cortallini, deputy
managing director; and Mr
John Bennett, general manager.

E CHARTERHOUSE, a Royal Bank of Scotland Group company, has appointed Mr David W. Parish as managing director, operations and planning, Mr Richard P. Kilsby as a director of Charterhouse, and a vice chairman of Charterhouse Bank, and Mr H.L. Carron Grieg as a director, he is chairman of Horace Clarkson and a non-executive director of The Royal Bank of Scotland. 🕿 Sir Derek Hornby, former

chairman of Rank Xerox (UK), has been appointed chairman of the ERFTISH INSTITUTE OF MANAGEMENT.

BRITISH RAIL purcels sector has appointed Mr Ivan Couchman as managing director of Red Star, succeeding Mr Adrian Shooter



Richard Bearpark

managing director
SIEMENS NIEDO SIEMENS NIXDORF INFORMATION SYSTEMS, Brackwall for Bracknell, formed by the merger of the UK data and information systems group of Siemens with Nixdorf Computer. Mr Bearpark was managing director of Nixdorf Computer. The new company is the UK subsidiary of new group Siemens Nixdorf informationssystème, Frankfort.

Mr John S. Smale has been appointed personnel director, GUINNESS BREWING WORLDWIDE, beer division

Mr Christopher J. Rodrigues, formerly group chief operating officer at the THOMAS COOK GROUP, has been promoted to group managing director. Mr

Rodrigues has been with Thomas Cook since 1988. He assumes day-to-day responsibility for the company which operates in 120 countries and specialises in business and leisure travel, travellers cheoues and foreign exchause.

Mr Peter S. Christie has

been appointed deputy chairman of MINET HOLDINGS. He remains based

in New York. Mr Vinod Desai has been made group finance director, while Mr Paul Cotterill has become chairman of the Minet International Group, which combines the activities of Minet International and Minet Europe. Mr Richard H. Murray, chairman of Minst Professional Services, also becomes chairman of Minet's retail broking operations in the UK. Mr Michael Brown has been made responsible for group human resources, group Mr Keith Donnison has been

appointed executive chairman of THE ROBERT PURVIS BUSINESS GROUP. He is a former Smith Kline Animal Health managing director. TEB TRUST COMPANY bes

appointed Mr Mike Ramsay as deputy chief executive and marketing diretor; Mr Bruce McDowell as customer services and technology director; Mr Geoff Gray as sales director. Miss Hilary Barton as finance and planning director; and Mr David Hincheliff as personal

The fast track to a good deal

A COMPUTER system being unveiled today will allow deal-ers to build their own analysis tools and fing trading opportu-

rities.

The Fiexible Feed Analysis
System (FFAST), designed by
the PA Consulting Group, can
be linked to a bank or securities house's main computer
system which feeds price information the Assilne man. After system which feeds price infor-mation the dealing room. After a few hours of training a dealer could instruct the system how to monitor, say, the price dif-ferences between UK equities and the ADR equivalents on Wall Street and suggest arbi-trace opportunities.

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her Market states, ding the FT-Admin

ANS-Conti

Wall Street and suggest arbitrage opportunities.
Paul Sachs, business manager of PA Consulting Group's London-based intelligent systems unit, says it allows designs to build systems which are more powerful than those possible with spreadsheets. Yet it avoids the weeks of waiting associated with the usual alternative — getting a special pronative with the insial after-native — getting a special pro-gram written by the company's computer specialists. FFAST uses an unusual, pic-

ture-based diagram to allow unskilled people to enter com-plex equations. Developed orig-inally to help build expert systems, the screen looks half way between a map of the Lon-don Underground and the "spi-der diagrams' beloved of free thinkers. When agreement is reached on the way to spot a trading opportunity it is easy to make the system follow it.

Once ready, the diagram is compacted by a process known as "compilation" into a small, fast-running program which monitors price information and flags potential trades on the existing dealing room screens. The concept was first tried two years ago as a one-off system for a US institution. Dealers could modify calculations in 15 minutes but it needed expen-sive hardware and could only monitor 500 equity pairs at a

time.

However Sachs says the ever-fulling price of hardware means it is now viable. Running on a £5,000 workstation it will be able to watch 50,000 trading opportunities. Talks are under way with a number of financial institutions and suppliers of dealing room

BASIC RESEARCH Wants to recognise the world. Applied research wants to improve it." That is how Hans-Jürgen Quadbeck-Seeger sees the activities of the 5,300 people in central research and development at BASF, the German chamicals grown.

chemicals group.

At 51, Quadbeck-Seeger is
BASF's executive director responsible for research and development. He has direct control of central R&D, mostly located on the group's main site at Ludwigshafen; and oversight of a total R&D effort engaging 12,300 and costing DM 2bn (2680m) annually bigger than either ICI or Royal Dutch-Shell — which has grown steadily in real terms

grown steadily in real terms for the past four years.

Last year the R&D bill smounted to £1 per cent of all BASF sales — about par for the big chemical groups, he says. But this proportion varies considerably among his product. siderably among his product divisions, and is running as high as 16 per cent for pharma-centicals and 11 per cent for

crop protection.
In Ludwigshafen last week
Quadbeck-Seeger hosted a scisace symposium on the future of chemistry, addressed by some of the world's leading chemists including Nobel lan-restss from the US and France, and attended by 2,400 guests, of

and attended by 2,400 guests, of whom 40 per cent were academic scientists.

Topics ranged from "smart materials" that work out for themselves the right response to a changing environment, to the problems of teaching a computer to synthesise drugs. computer to synthesise drugs that will treat incurable discusse. As one guest remarked, the gesting testified to BASF's strong commitment to basic

research.

Wolfgang Gentzsch, BASF's hoard member for chemicals, puts the commitment this way.

We have to keep asking ourselves which factors are responsible for success, and so ascertain the future importance of innovation and the possible contribution of hasic possible contribution of basic research." One example he cited is that it is no longer enough to try to optimise cata-lysts empirically. "A deeper insight into the structure of the catalytically estimated." the catalytically active centres with the aid of various surface

analysis techniques is now indispensable."

For an international chemi-For an international chemicals to watch 50,000 paportunities. Talks way with a number ial institutions and of dealing room

Gren Manuel

For an international chemicals group, BASF's central R&D is unusually centralised, with 90 per cent located at Ludwigstafen, in four separate but inter-related laboratories. Quadbeck-Seeger admits that BASF is the only big chemical group to run its research this

David Fishlock on the research and development efforts of BASF, the German chemicals group

Commitment to go back to basics

way - ICI, for example, has all but abandoned its central research activity. But BASF is also unique in having so much of its production on the one site, some 54,000 employees who account for 45 per cent of

The four laboratories also have a long history, starting with a "main laboratory" set while main isopratory set up in 1882, only two years after the company was founded. The ammonia laboratory followed in 1910, to specialise in developing the materials and process technology needed to put Fritz Haber's famous ammonia synthesis. synthesis into production. Then in 1962 the ammonia laboratory spawned two new ones: dyestriffs and polymers. But the four are closely inte-grated, both by computers and

grated, both by computers and by a matrix management sys-tem that allows multi-disciplin-ary teams to be assembled rap-idly to meet a fresh challenge. Quadheck-Seeger believes that the advantage of having such a concentration of talent in one place is increasing with the ornwing need for technolothe growing need for technolo-gies to interact in solving industrial problems. "We're moving to an approach nature knows," he says. Nature does not differentiate

between physics, chemistry and biology, he says. Trends that are forcing interaction for BASF include the opportuni-ties opened by molecular biology, and the pressures for cleaner production technolo-

The ammonia laboratory, with its roots firmly in ammonia synthesis, is the corporate repository of skills in catalysis, bedrock of almost all its manufacture, but also the hope for cleaner, more efficient pro-cesses. This is where deeper insight into catalysis is being gained with instruments such as the scanning tunnelling microscope, which allows indi-vidual atoms to be examined and may even lead to an exquisitely delicate process for micro-machining of ideal catalyst surfaces.
The polymer laboratory spe-



Hans-Jürgen Quadbeck-Seeger, BASF executive director

cislises in BASF's dominant type of product. One of its more ambitious projects is to design and build a new pro-stressed concrete road bridge needed inside the factory, using ropes of carbon fibre composite as a lightweight, corrosion-resistant replacement for the customary steel

At the opposite end of the scale is the research started this year, involving an "atomsmasher" and aimed at developing a new manufacturing process for making microscopi-cally small engineering parts. A new polymer moulding technology making engineer-

ing parts only microns (millionths of a metre) in size is nonths of a metre) in size is the target of a three-year research collaboration begun this year between the polymer laboratory, STEAG Mikrotech-mik (a subsidiary of the Ger-man energy group), and Heidel-berg University. berg University.
Such parts could lead to microminiature mechanical

and electrical machinery corresponding to microchips, and useful for sensors, medical implants, and high-precision industrial processing, believes Gerhard Hoffmann, group leader responsible for BASF's

What Quadbeck-Seeger calls the main laboratory focuses on interdisciplinary projects and is seen as the source of new enabling technologies - the new biotechnologies such as genetic engineering and cell fusion, for example. Biotechnology, although only 4 per cent of the R&D budget, is fast-

rowing.
Rolf-Dieter Acker, in charge of this research, is also responof this research, is also responsible for a new research centre BASF is building for molecular biology near Boston, Massachusetts. After six years of R&D on tumour necrosis factor, originally cloned by the US research company Biogen, Acker says BASF hopes for a bloomer within proof to a second control of the second control of th licence "within months" to use his pilot plant to manufacture the drug for sale for treating

These three laboratories, of roughly equal size, account for 85 per cent of central R&D. The remaining 15 per cent is done by his dyestuffs laboratory. by his dyestuffs laboratory. One goal is entirely new uses for pigments. An example lies in an old idea for treating cancer with light instead of lonising radiation, in the hope of doing less damage to healthy tells.

which concentrates selectively in the tumour, to catch the light. What now makes it an attractive target for chemists is the advent of inexpensive, hand-held lasers operating at an infra-red wavelength that will repetrate deep becaute the will penetrate deep beneath the skin. The surgeon might use such a laser beam much as he would a scalpel, to attack the tumour without damaging intervening tissue.

This quartet concentrates on research into chemistry and scientific methodology, leaving development and demonstration to the somewhat larger corpus of R&D scientists spread among BASF's product divisions. But Quadbeck-Seeger estimates that 85 per cent of his central R&D correlates with targets of the product divisions. "There is very active interaction between the prod-nct divisions and research."

The remaining 15 per cent

focuses on targets chosen by the research scientists themselves. Examples include-organic electrochemistry electrochemical reactions to promote novel syntheses, several of which have already found their way into produc-tion; and electrically conducting polymers, part of the quest for "smart materials".

How does Quadbeck-Seeger decide what areas to pursue? He says it is a never-ending process of heeding what product divisions want, watching the research portfolios of rival companies, talking to universi-ties about new opportunities and wrestling with corporate issues such as what might be done to exploit an in-house dis-

covery, or to combat an oils price increase. Quadbeck-Seeger is wary, Quadbeck-Seeger is wary, however, about research col-laboration beyond BASF's boundaries. Chemists have too much to lose, he believes. "The success of a molecule may depend on a single atom of carbon." He has little involvement in EC or Euroka movement. in EC or Eureka programmes, and worries that Germany's new law on genetic engineering – one reason for the new US laboratory – may oblige him to reveal publicly too much of his intellectual prop-

Symposia such as the one just ended are rare occasions when the chemical groups come together. Asked if he learned anything from his speakers which made him reconsider the thrust of his hig research effort, he replied: "We feel we are in line with the

What it requires is a non-toxic pigment that can be given safely to patients and Global effort to fight greenhouse By David Thomas

PROPOSALS for a worldwide convention on tackling global warming are beginning to take shape. An intergovernmental conference in Geneva next month is expected to give its beautiful to the idea. Nagoticblessing to the idea. Negotia-tions will begin in earnest early next year: the conven-tion's signing ceremony is already scheduled for the UN Conference on Environment

and Development in 1992. The question now facing the new breed of environmental diplomat is: what should be in the convention? One of the most thorough attempts yet to provide an answer is in a report published today by the UK's Royal Institute of Inter-

national Affairs.

The author, William Nitze, a former senior official in the US State Department, has tried to state Department, has tried to steer his way between two con-trasting pitfalls. The proposals must not be so ambitious that they would frighten off those countries, notably the US and many developing nations, which are reluctant to wind down their dependence on forsil fuels. Simultaneously, the convention cannot be so weak that it fails to stimulate a

change in behaviour. The dilemma is particularly acute in view of countries' very different starting points. A list of net greenhouse gas emissions, reproduced in Nitze's report, shows that some of the world's richest countries, like the US and Canhigher per capita greenhouse gas emitters. But then so too are some of the poorest like Leos and the Ivory Coast. Nitre proposes a carefully

Nitze proposes a carefully tapered convention with progressively tougher targets. At its most general, it would involve stabilising greenhouse gas emissions in 10 years' time at the level reached during the year the convention came into force, probably 1993.

By itself, this would be fairly weak, but it would help to provide an external stimulus, in Nitze's words, "to motivate the provide and the families of the provide and t

vate governments to develop strategies which provide for actual reductions in green-This first target would be accompanied by sub-targets:

• Each member of the Organ-

isation of Economic Co-operation and Development, the club of western industrialised nations, would stabilise its emissions of carbon dioxida within 10 years of signing the

 Every signatory, including those from the developing world, would agree an energy efficiency target: they would improve the ratio of carbon dioxide emissions from fossil fuel burning to Gross National Product by 2 per cent a year over the ensuing decade. • Rach signatory would

ensure no net loss of forests over the 10 years, since forests inhibit global warming by absorbing carbon. These targets would be underpinned by an obligation on each country to prepare its own national strategy for tackling global warming. Each plan would vary: some countries might concentrate on reducing their dependence on coal-burning, while others would set out to improve the efficiency with which all

energy sources are used.
Novel financial instruments like carbon taxes, could feature in national strategies. But Nitze argues that implementa-tion difficulties make them unsuitable candidates for a

global convention.

The essence of Nitze's plan, therefore, is to set a framework by which each country could contribute in its own way and at its own pace. Yet he also argues that it would be compatible with a three-phase deployment of different types of technology to the problem: first, up to the year 2005, snergy efficiency and other technologies that are already economic, but not fully mark economic, but not folly mar-keted; second, in the years 2005-2030, technologies such as renewable energy sources that are available, but not yet fully economic; third, after 2030, technologies such as hydrogen-based energy or fusion power that require fur-ther development.

The Oreenhouse Effect: Formulating a Convention. William Nitze, Royal Institute of International Affairs, 10 St James's Square, London SW1Y 4LE, £10.



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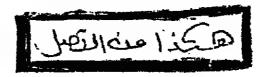
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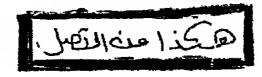
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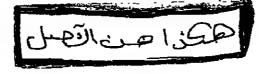
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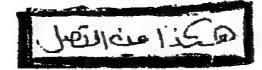
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar held in narrow range

CURRENCIES TRADED in narrow ranges yesterday, lacking fresh factors. The dollar ing fresh factors. The dollar held comfortably above technical support levels of DM1.5520 against the D-Mark and Y136.60 in terms of the yen, while showing no sign of attacking resistance at DM1.5650 and Y137.50.

The Federal Open Market Committee met yesterday, amid speculation about an easamin speculation about an easing of monetary policy if agreement to cut the US budget deficit is ratified by Congress.

Minutes of the meeting will not be released until next month, but dealers will be looking for monetary signals from the Fed's money market manage. Fed's money market manage-

New York banking system yes-terday via overnight system repurchases. This was more aggressive than expected, but analysis doubted whether it was more than a technical move to bring Federal funds down from 8% per cent. Shortly after the action Fed funds fell to 8% per cent, nearer to the assumed target rate of 8 per

cent.

Expectations of lower interest rates pushed the dollar down sharply on Monday, but steadier trading yesterday reflected hopes that a cut in the budget deficit would also

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* All SOR rates are for Oct. 1

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OTHER CURRENCIES

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	US to put its house in order.
	At the London close the dol
	lar was unchanged Y136.90, bu
1	had advanced to DM1.555
	from DM1.5515; to SFt1.292
	from SFr1.2890; and to
	FFr5.2100 from FFr5.2000. It
	index rose to 62.5 from 62.4.
	Sterling was little changed

overall, recovering from a slight dip caused by a bigger than forecast fall of \$344m in September UK official reserves.
The market expected a drop of about \$80m, but the figure appeared to suggest that Bank of England support for the pound had been larger than previously believed when the currency was defended on Sep-imber II.

After a brief decline on the news, the pound rallied in fairly thin trading. It finished 10 points lower against the dol-lar at \$1,8885 and eased to Y258.50 from Y258.75, but improved to DM2.9375 from

SF12.4350; and to FF19.8400
from FFr9.8250. Sterling's
index was generally steady
closing unchanged at 93.5.
A sharp rise in Japanese
share prices failed to have
much impact on the yen. Deal
ers said they were surprised at
the lack of reaction, but the
currency did improve slightly
against most European curren
tion. The D-Mark fell to Y81.00

from Y88.25.

Trading an the European Monetary Sys-tem was subdued. High inter-est rates kept the Spanish peseta at the top of the exchange rate mechanism and interest rate factors also sup-ported the French franc. The Italian lira steadled after its recent fall, helped by firmer money market rates after Mon-day's action by the Benk of day's action by the Benk of Italy to drain liquidity. The DMark cased to 1.748.45 from 1.749.52 at the Milan fixing.

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cantral rates	Currency amounts against Eco Oct 2	% clange from central rate	% spread or organizat corresponding	Chargosco halicator
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POU	POUND SPOT - PORWARD AGAINST THE POUND									
0et 2	Day's spread	Close	One stooth	% p.s.	Tiree meetic	% p.a.				
US Canada Hether lands, Belghan Gennink Hether lands, Belghan Gennink Hether lands Hether lands Hether lands Spale Hether lands France Savetes	1875 - 1890 118 - 2179 130 - 1114 130 - 1114 131 - 1124 10910 - 10940 2921 - 294 2931 - 294 2931 - 294 1911 - 222 1115 - 222 1115 - 222 1115 - 222 1116 - 222 1117 - 222 1118 - 222 118 - 22	1,880 - 1,890 2,176 - 2,1775 1,304 - 3,314 60,50 - 66,40 1,274 - 1,124 1,10820 - 1,0920 2,934 - 2,94 240,10 - 24,11 1,304 - 1,34 1,314 - 2,4 1,314 - 2,4 1,31	111-109pm 0-31-0,44cpm 31-30pm 31-30pm 0-45-0.40pm 14-15pm 14-5pm 14-35-organ 14-15-organ 14-15-pm 14-15-pm 14-15-pm 14-15-pm 14-15-pm 14-15-pm	6.99 2.67 7.00 6.64 4.67 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.44 6.37 6.37 6.37 6.37 6.37 6.37 6.37 6.37	1.08-1.05cm 1.01-1.25cm 94-35cm 1.13-1.05cm 1.13-1.05cm 4.45cm 25-76cc 6-45cm 24-23cc 24-23cc 1.13-1.5cc 5-3-3-cc 4-3-3-3-cc 4-3-3-cc 4-3-3-cc 4-3-3-cc 4-3-3-cc 4-3-3-cc 4-3-3-cc 4-3-	489 419 419 419 419 419 419 419 419 419 41				
Commercial r 10.10-10.000	Commercial rates taken tensoris the and of London trading. Str-enouth forward dollar 5,15-5,77-gm . 12 blants 10.10-10.00-gm									
DOLL	DOLLAR SPOT - FORWARD AGAINST THE DOLLAR									
9ct 2	Day's spread	Close	Our mouth	% 14	(Times manifel	% p.a.				
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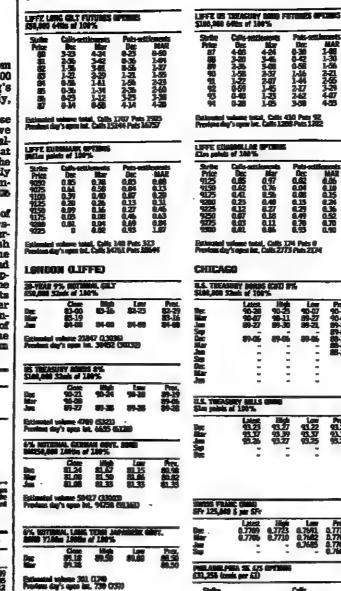
DOLLAR SPOT - FORWARD AQAINST THE DOLLAR								
Oct. 2	Day's spread	Close	Our mouth	% [12]	Times martis	% p.a.		
LHCP Instanct Commission Commissi	137.85 - 138.25 97.15 - 97.60 116.35 - 116.8 6.03 - 6.05 5.20 - 9.22 - 5.73 - 5.74 - 136.50 - 137.05 10.93 - 10.97	1.990 - 1.990 - 1.990 - 1.7750	1.11.1.0 fepa 0.35-0. Nupa 0.45-0.4 Smit 0.40-0.4 Smit 0.40-0.4 Okolis 0.40-0.4 Okolis 0.22-0.4 Okolis 0.25-0.4 Okolis 0.25-0.4 Smit 1.50-1.2 Smit 1.50-1.2 Smit 0.50-0.5	69241128112000911120000000000000000000000000	1.08-3.05 pm 1.18-1.05 pm 1.18-1.25 pc 0.17-0.21 pc 0.17-0.22 pc 0.17-0.22 pc 2.20-25 pc 1.51-15 pc 0.17-7.70 pc 1.51-15 pc 0.77-7.70 pc 1.52-15 pc 0.78-7.70 pc 1.52-15 pc 0.78-7.70 pc	***************************************		
	EURO-C	URRENCY	INTERE	IT R	ATES			
	~ .	1 22	4 .					

EURO-CURRENCY INTEREST RATES									
Oct 2 '	Short	7 Days	Gue	Three	Str.	One			
	toru	notice	Meeth	Months	Meeths	Tree			
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	EXCHANGE CROSS RATES									
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		D	CH	NGE	CR)55 I	<u> </u>	3				A s oben en	- 444
0ct.2	1	5	DM	Yes	FR.	S Pr.	# FI,	iin	C\$	B Pt.	25 声 6	Core	-
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F Fr. S Fr.	1.016 0.410	1.920 0.774	2.986 1.204	262.7 105.9	10. 4,933	2.486 1	3.34 1.357	2234 900.8	2.212 0.892	ALS:	POWER S		
H F1. Line	0.302 0.455	0.571	0.888	78.10	2.973 4.477	0.737	1.506	664.0 1000.	0.550	18.20 27.55	1.0005	1-mth. 12775	u
C S B Fr.	0.459 I.657	0.655 3.120	1.350	118.7	4.520	1.121	1.520 5.467	1010 3630	3.995	27.82 190,	THE CHIEF	M k pr	_
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FINANCIAL FUTURES AND OPTIONS



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100 Las Pro- 5.64 85.65 85.65 1.94 87.94 87.77 1.95 87.74 87.77	Strike Oct Rev Bet 1.775 94.50 18.50 8.67 1.775 94.50 18.50 8.67 1.825 5.65 5.85 5.85 1.825 1.825 5.65 5.85 5.85 1.825 1.825 5.75 5.85 5.85 1.825 1.825 1.74 2.86 1.77 1.980 0.28 2.06 2.37 1.925 0.27 1.24 1.77 Province day's open left. Cells 20,007 Park 1.5 Province day's open left. Cells 20,007 Park 1.5 1.50 YEAR 1.075 1.0
97.99 97.95 97.95 97.95 97.95 97.95 97.95 97.95 97.95 97.95	Over Con December 97.49 97.35 March 97.40 97.20 July 97.36 97.20 September 97.36 97.20 September 99.404 Total Open Interest OFTEN 88 1096-7534 FRENCE WIND BLO
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BASE LENDING RATES

Windows of Effort Information Statistics & Securities Rouses Association. ** Deposit now 5.9% Service 8.5%. Top Tim-E50,000-bostant access 13.7% § Mortgage have rate. § Demand deposit 9%. Wortgage 15.2% - 15.95%

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2,650

MONEY MARKETS FT LONDON INTERBANK FIXING London rates steady (11.00 a.m. Oct.2) 3 months US dollars

THERE WAS little change in interest rates on the London money market yesterday. Quiet trading produced no reaction to a larger than expec-ted fall in UK official reserves. Three-month sterling inter-bank was quoted at 141-142 per cent against 14%-14% and 12-month money was steady at

141-14% per cent. Futures trading on Liffe was also subdued. December short

UK clearing bank base leading rate 15 per cost from October 5, 1969

sterling opened slightly firmer at 85.66 and closed at that level compared with 85.62 previously.

The Bank of England initially forecast a money market credit shortage of £650m, but revised this to £700m at noon and to £850m in

the afternoon. Total help of £672m was provided. Before lunch the authorities bought £388m bank bills in band 2 at 14% per cent. In the afternoon £274m bills were purchased, by way of 226m bank bills in band 1 at 14% per cent and £248m bank bills in band 2 at 14% per cent. Late assistance of around £10m

Bills maturing in official hands, repayment of late

assistance and a take-up of

Treasury bills drained 2888m, with Exchequer transactions absorbing £145m. These outweighed a fall in the note circulation adding £80m to liquidity and bank balances there transet £500m.

above target of £80m. In Frankfurt call money remained above the 8 per cent Lombard emergency financing rate despite the addition of a net DM1.3bn by the Bundesbank at this week's securities repurchase agreement tender. The rate for call money was unchanged at 8.05 per cent after the Bundesbank accepted bids of DM30.0bn at the two-tranche DM30.00n at the two-tranche tender, compared with two expiring pacts totalling DM28.7bn. Banks will be credited with the money tomorrow, after today's German unification holiday.

The central bank provided

DM19bn of 29-day funds at rates of 8.00-8.15 per cent and DM11bn of 62-day money at 8.05-8.30 per cent. This was roughly in line with market expectations of volume and

rates.
Tight conditions continued to encourage some banks to use Lombard facilities for funds. On Monday Lombard borrowings rose to DM6.9bn from DM4.7bn on Friday. Banks reserve holdings in September averaged DM69.7bn, against the Bundesbank's estimate of a net requirement for the month of DM68.9bn.

BHS \$, effer	87g	-	8 6	offe	81 ₈	
The finding values are the arbitmentic means remaded to the reports one-distribute, of the hid and offered rates for \$100 mosted to the number for five reference banks at 11,00 a.m. each working day. The hands are finite out Westminster Sents, Sante of Todyo, Cautache Sents, Sanger Wallocal de Pluris and Morgan Cauranty Treat.							
	ME	ONE	RAT	ES			
NEW YORK			Tressery	Bills and 1	Bonds		
Charachtimes							
0a.2	Oversight	Die Mortit	Two Morths	Three Months	Str. Months	Lombord	
Prantifert Party Party Zarich Association Foliage Billiage	91-91 54-74 818-831 71-78 94-164	8.20-8.35 93-10/2 7/2-74 8.20-8.30 78-74 91-10-1 81-84 104-10-1	8.25-8.40 10-1-10-1	15-16 10-10- 7-1- 16-15 16-15 18-1- 18-1- 18-1- 18-1- 18-1-	8.60-8.75 301-301 ₃	9.50	
LONDON MONEY RATES							
Oct. 2	Overpight.	7 days notice	One Mostik	Three Months	Six Months	Care Year	
Interbank Offer	144	141	塩	148	湖	143 143 143	

Sterling CDs	14%	14H 14%	继	強	級	城	
Finance House Deposits Treasury Bills (Buy)	=	E	148	摄	145	跳	
Bank Bills (Buy) Fine Trade Bills (Bey)	l =	=	144	144	148	=	
SDR Linked Dep. Offer	=	= :	8.66	8.07	105	812 93	
SDR Linked Dep. 8id ECU Linked Dep. Offer	=	-	9	184	9X 16Z	97	
ECU Uaked Dep. Bid	-		95	10	101	101	
Treasury Bills (sell); one-mouth 14% per cent; three anouths 14% per cent; str mouths 15% per cent; Bank Bills (sell); one-mouth 14% per cent; three mouths 14% per cent; Treasury Bills; Average tender rate of discount (A.233) p.c. ECCO Flued Rate Sterling Export Facility. Bills; Average tender rate of discount (A.233) p.c. ECCO Flued Rate Sterling Export Facility. Bills; Sell Sell Sell Sell Sell Sell Sell Sel							

Our dealers are encouraged to develop a long-term denstanding of your company, and be constantly pro-active Add personal understanding to high-level trading. Ring Citi: Corporates 071-240 8844, Insurance 071-240 2737, Trading and Commodities 071-379 7075, Fund Managers 071-379 4101, Night Deak 071-438 1910. CITIBANK 😂 Chillenth N.A. is a surpriser of TSA and B6BO,





FT-SE 100 Where next? Call for our current views CAL Futures Led Windsor House 50 Victoria Screet London SW1H ONW Tel: 071-799 2233 Fax: 071-799 1321

MONEY MARKET FUNDS

Money Market **Trust Funds**

Money Market **Bank Accounts**

LIFFE SUID FUTURES OF THE MEZSIANA poleta of 180%.

1-86 1-30 1-56 2-21 2-55 3-26 4-47 4-47

0.97 0.7% 0.40 0.15 0.11 0.11

89-30 99-31 99-31

89-06

90-07 89-27 89-21

39-06

Proc. 19-12 90-12 90-22 80-32

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Estimated volume Intal, Calls 3445 Pals 2060 Province day's open lat., Calls 56777 Pals 40,455

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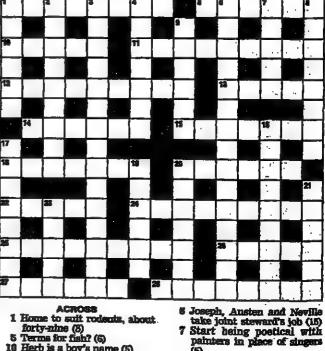
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bil & Co Ltd

JOTTER PAD

CROSSWORD

No.7,357 Set CINEPHILE



ACROSS
1 Home to suit redeuts, about

forty-nine (5)
5 Terms for fish? (5)
10 Herb is a boy's name (5)
11, 12 Mother comes round about something hidden in fruit drink by civil servant

13 British tree, tastelessly showy (5)

14 Express disapproval of

small boy ready to ride? (6)

15 Nurse to run true to form?

(7)
18 Cart gives model a lot of protection in wet weather

20 Broken thread in short supply (6) 22 Man in headgear that costs little (5)

24, 25 Sympathetic action for a short time on a railway, and classically during fruit har-

vest (9,9)
26 Call about island or part of one in the Caribbean (5)
27 Agriculturalist on boat (6)

28 Picture of card game's dangerous (8) DOWN 1 Lower graduates into river

(b)
2 Play area, I see, heard among lots of fungus (5,4)
3 Rare item for prayer or point in flavour (10, 5)
4 Northern region for boy without map (7)

soup (8)
19 Romance about fool and girl (6) 20 Figure found in Hon house about a century ago (7).

21 Worker in office that's short-handed? (6)

28 40 is heard to do very well **(5)** Solution to Puzzle No.7,856

separately maybe with this
(8)

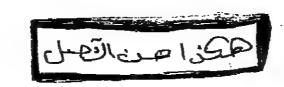
9 Drawer, top of chest, for tex-

tile fabric (6)

16 Frequency before a fall? (9)

17 River leaving town near Manchester is source of

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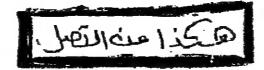
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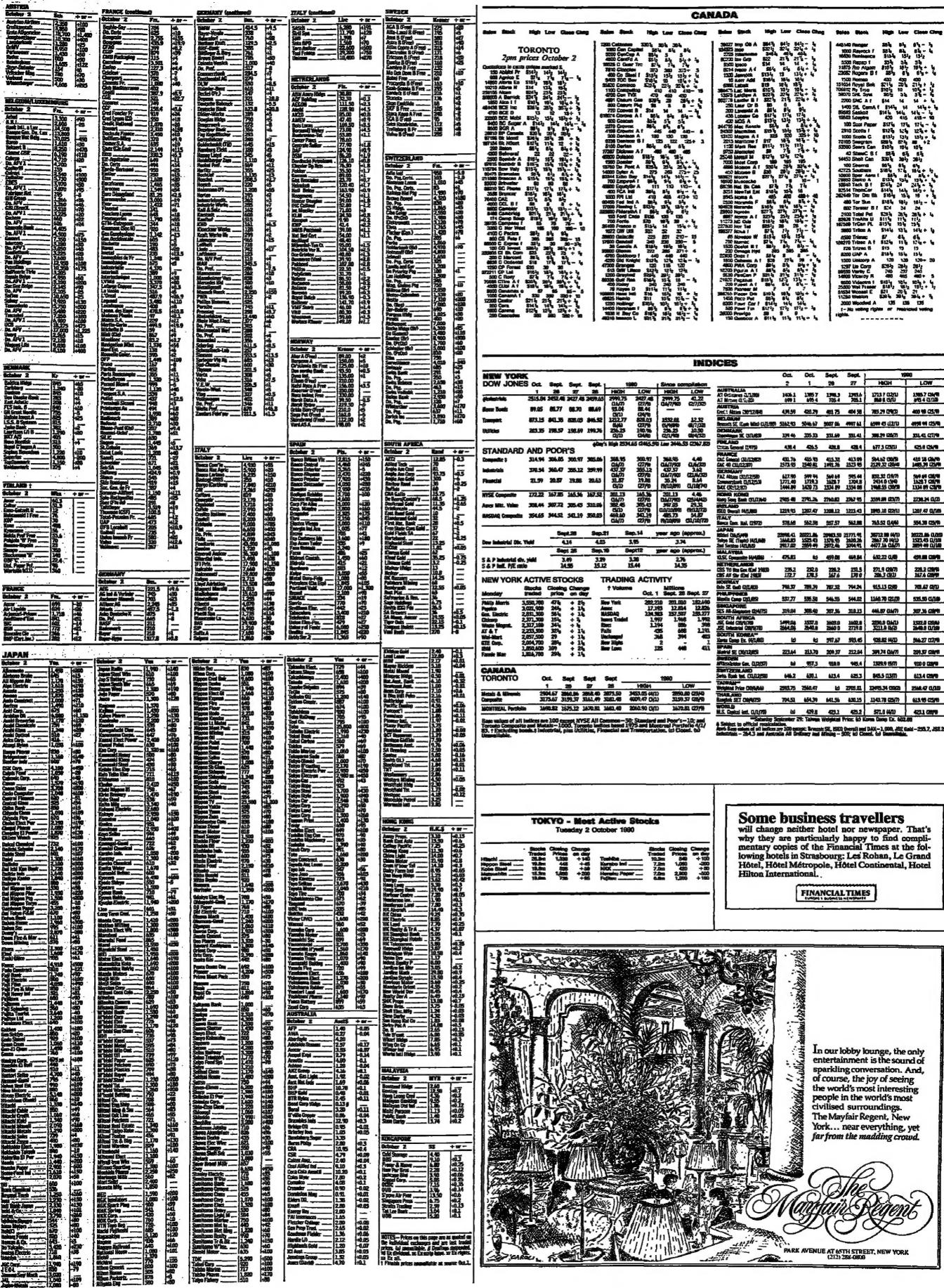
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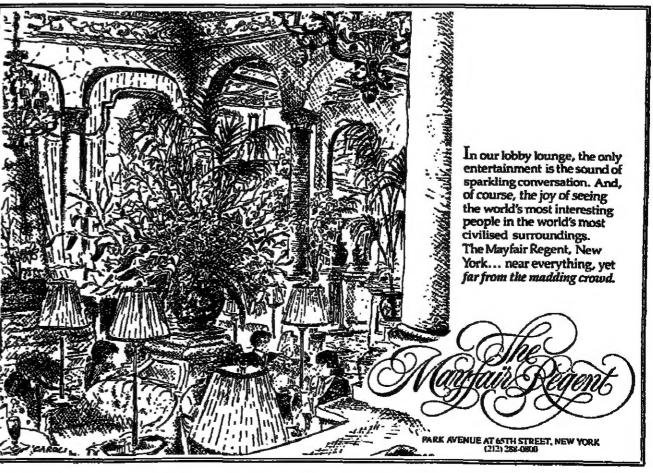
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WORLD STOCK MARKETS





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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Constant 2.20

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Have your FT Tel: (02) 688 7041 Th: 330467 Fax: (02) 688 1667 PINANCIALTIMES

AMERICA

Dow rises in optimistic trade as oil prices slide

Wall Street

OPTIMISM characterised yesterday morning's stock market, with equities posting steady gains in beavy trading thanks to sliding oil prices and the strength of the Tokyo stock market, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial Average was up 14.85 at 2,530.69 compared with a gain of 63.36 to 2,515.84 on Monday. Volume was heavy, with more than 130m shares changing hands by midday. Advancing issues led decliners by three to one.

Both stock and bond market reacted positively to falling oil prices, which continued to decline through the morning.
At midsession, November crude oil was quoted down \$2.14 at \$34.95 a barrel.

Oil stocks continued to move lower yesterday morning in the wake of declining oil prices. Mobil lost \$1/4 to \$62%, Amoco slid \$1% to \$55% and Atlantic Richfield dropped \$% to \$131%. Oil service companies recouped some of their previous day's losses with Schlum-berger adding \$1% to \$60%,

Although gold prices continued to move lower, gold shares were mixed. As a added \$% to \$47%, Battle Mountain Gold slipped \$% to \$9% and New-mont Mining gained \$% to

40%.
UAL, the parent of United
Air Lines, jumped \$13% to \$116
on reports that progress was
being made in arranging the
\$20h backing needed for the proposed union buy-out of the

Tonka jumped \$% to \$5 on reports that Mr Malcolm lazer may seek control of the Tiffany added \$1% to \$33% after several securities compa-nies said they were bullish

about the stock.
PepsiCo was quoted \$% higher at \$25 after the soft drink and snack food manufacturer said it had acquired about 70 per cent of Empresas Gamesa for about \$300m.

Blue chip issues continued to pace the market, with Philip Morris improving \$% to \$48%, General Electric rising \$% to \$57%, and IBM improving \$1% to \$110%.

AMR, parent of American Air-lines, was unchanged at \$45, Delta Air Lines was down \$1/4

In the secondary market, the NASDAQ composite added \$5.09 to \$59.74 by midday. Apple Computer, the most active over-the-counter stock,

rose \$% to \$31. Financial News Network jumped \$1 to \$3% after falling pumped 51 to \$3% anter lating \$2% on Monday. The company said yesterday that Tele-Communications had agreed to continue carrying FNN programming on its nationwide cable television systems. Tele-Communications Class A shares were unchanged at \$114 were unchanged at \$11%.

TORONTO stocks surged at midday on bargain-hunting amid hopes that the Federal Reserve would ease interest rates. Bank shares led the bounce, and transport stocks rose on a report that banks backing a proposed buy-out of UAL appeared to be making progress. The oil, gas and pipe-lines sectors were the only los-ers as crude prices slipped. The composite index gained 29.5 to 3,205.02 on volume of 14.7m shares. Advances led declines by 233 to 197.
Air Canada rose C\$% to C\$8% and PWA gained C\$% to C\$9%.

ASIA PACIFIC

Largest single-day gain puts Nikkei up 13%

Nikkei Average Index (000's)

Tokyo

SHARE prices soared yester-day amid a marked lack of sell-ing as investors took heart from greater prospects for a peaceful Middle East resolution. Wall Street's overnight the Japanese finance minis-try's measures to support the market. The Nikkei average jumped more than 2,600 points, the largest single-day gain ever, writes Michigo Nakamoto in Tokyo.

The Nikkei average got off to

a flying start and continued its strong advance throughout the day before closing with a spec-tacular gain of 2,676.55 or 13.2 per cent at 22,898.41. The index advanced in intraday trading to a high of 22,899.46 from a low of 20,221.86.

widely ahead of decliners by 768 to 64 while 24 issues were unchanged. The Topix index of all listed stocks rose a sharp 145.40 to 1,668.83, or 9.54 per cent, the single largest increase ever. In London, the ISE/Nikkei 50 index rose 0.15 to 1,357.55. Turnover was still weak at 550m shares. This was

and therefore looked cheap. These included international higher than Monday's 400m, however, and the first time since September 14 that volblue-chips such as the large electricals, which have seen ume has topped 500m shares. Measures to support the market announced by Japan's finance minister late on Montheir price/earnings multiples fall to levels comparable to those on Western markets.

22

day lifted market sentiment The raising of the collateral assessment rate for stocks bought on margin was received favourably, as this would ease selling pressure on individuals facing additional margin calls. But the consensus was that share prices rose largely amid a lack of selling. "The market rose because it has been oversold, and the rise cannot be interpreted as the start of a market recovery," said an analyst at Sanya Sacrutities. lyst at Sanyo Securities.

Foreigners were active buy-ers yesterday, prompting analysts to suggest that Tokyo was beginning to look like good value to overseas invesgood value to overseas inves-tors. The strong advance on the cash market triggered a rush of bid orders on the futures market, taking the Nikkei 225 futures and Topix December contracts to limit highs without any contracts Investors favoured issues

Hitachi surged Y140 to Y1,330 and Mitsubishi Electric rose Y200 to Y1,590. High-priced electricals were popular, with Sony advancing Y950 to Y6,630. Matsushita Electrical advanced

18 Sep 1990 Oct

Y200 to Y1.950.

tinued to lose ground on con-cern that the speculators were having financing difficulties. Honshu Paper closed with the maximum single-day loss of Y500 at Y2,900 with about 8m hares left unsold.

Osaka rebounded sharply osaka rebounded sharply and the OSE posted its largest single day gain of 1,772.82 to 24,157.06. Volume was thin, however, at 31.9m shares, down from Monday's 40.5m. The high-priced, high-tech Kyocera was pursued and gained Y1,020 to Y6,500.

Roundup

MARKETS took their cue from Tokyo and Wall Street, although index rises varied and volume in some markets was still relatively shallow. BANGKOK examplified the apparent lack of conviction. Turnover stayed thin although

per cent, to 704.5 and almost 80 per cent of stocks finished at their 10 per cent limit highs. HONG KONG saw better business as it rose 4 per cent on a wave of short-covering.

the SET index rose 50.12, or 7.7

from HK\$463m to HK\$1.02bn. AUSTRALIA's turnover rose

from A\$121.6m, depressed by Monday's holiday in Sydney, to A\$198.4m as the All Ordinaries A\$198.4m as the An Ordinaries index rose 20.4 to 1,406.1. News Corporation closed 42 cents higher at A\$6.92 on turnover of 2.3m shares. The gain was said to be due mainly to short covering effort the characteristics. ering after the share price's

recent tailspin.

NEW ZEALAND closed sharply higher as Wall Street lifted sentiment. Turnover was still light, at NZ\$9.2m after NZ\$6.9m. Lion Nathan rose 7 cents to NZ\$2.97 on reports that its deal with Bell Resources of Australia, to take over the Australian brewing interests of Bond Corporation,

would be sealed soon.

TAIWAN lost some of its early gains, the weighted index rising 33.28 to 2.593.75 after profit-taking ahead of today's

SINGAPORE rebounded smartly in moderate trading. The Straits Times Index gained 33.77 to 1,187.21. KUALA LUM-PUR put on 126.75, or 3.7 per cent to 475.83, ending a 10-day losing streak. 7 24 (2mg

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Iraqi invasion produces declines across the board

William Cochrane and Jacqueline Moore analyse the third quarter

RAQ'S INVASION of Kuwait at the beginning of August took world mar-kets into losses across the board in the third quarter of 1990. Only Mexico and Norway are now above their end-198 levels, according to the FT-Ac-tuaries World Indices.

One of the worst performer was Japan, falling 33.2 per cen in local currency terms on the quarter and 10.9 per cent last week before yesterday's recov-ery. Japan, with no oil resources of its own, has been particularly vulnerable to fears of higher oil prices following the Middle East crisis.

Elsewhere in the Far East, Singapore dropped 29.5 per cent on the quarter in local currency terms. Singapore has suffered from the Gulf-inspired fears of a world recession, which could lead to a decline in the services on which Sings. pore's economy depends. Its ship repair industry, for example, is dominated by the oil of Asia Pacific Securities

The Singapore market has also been hit harder than some of its neighbours because of its liquidity: investors have been able to remove their cash at high speed. At greatest risk have been companies with joint ventures with Japanese concerns, which had been pop-ular with Japanese investors. The full in Tokyo prompted these investors to sell their stocks; the share price of Jurong Shipyard, for example, which is connected with Ishikawajima-Harima Heavy Industries of Japan, has almost

halved over three months. The quarter's best performer in the Asia Pacific region was Australia, which made a local currency loss of only 8.3 per cent thanks to its supply of gold and other resources. The same story helped Canada and South Africa fall only 8.1 per cent and 10.2 per cent, respectively, on the quarter, the US was relatively strong, with a 14.7 per cent decline, while Mexico's and Norway's oil

NATIONAL AND REGIONAL MARKETS

Australia (78)

Denmark (33)... Finiand (28)..... France (123).... West Germany Hong Kong (48) Ireland (17)

italy (91)..... Japan (454). Malaysia (3:

Vorway (28). Singapore (25).... South Alrica (60). MARKETS IN PERSPECTIVE

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	1 Week	4 Wests	1 Year	Start of 1999	Start of	Start of 1990
Austria	-6.25	-22.51	-6.95	-8.61	- 15.09	-1.5
Belgium	-1.94	-11.02	-27.78	-25.23	-28.96	-17.4
Denmark	-4.40	-9.60	-3.44	-11.96	-16.56	-3.6
Finland	-2.76	-14.82	-27.03	-28.27	-32.93	-22.0
France	-2.35	-11.32	-25.71	-26,72	-30.41	-19.
W. Germany	-7.08	-17.96	-16.53	-24,14	-29.47	- 18.6
treland	-2.29	-8.64	-27.94	-30.24	- 33.81	-23,
Italy	-0.81	-11.63	-26.55	-23,54	- 28.81	- 172
Netherlands,	-4.60	~6.49	-18.47	-18.12	- 23.70	-113
Norway	- 6.60	-7.35	+13.11	+12,11	+4.91	+21,9
Spain	-4.90	-18.76	-37.28	-29,39	-32.18	-21.
Sweden	-13.14	-21.29	-21.71	-23.40	-29.16	-17,
Switzerland	-6.22	-12.72	-25.67	-23.92	-22.23	-9.6
UK	-1.49	-8.30	-15.89	19,31	- 19.31	-6.5
EUROPE	-3.46	-11.51	-19.96	-21.89	-24.48	-12.3
Australia	-2.08	-7.28	- 17.12	-14,44	-23.07	-10.6
Hong Kong	- 5.61	-10.71	-3.76	-4.21	- 17.10	-3.6
Jepan	-10.84	~ 20.33	-44.09	-47.22	-52.75	-45.1
Malaysia	-9.73	-14.97	-9.65	-20.06	-31.25	-20.
New Zealand	-2.44	- 11.66	-34.96	-24.95	-33.00	-22.1
Singapore	-6.93	-18.41	- 18.86	-22.84	-28.48	-18.
Canada	··- 1,38	-4.53	- 16.39	-16.36	-27.89	-16.2
USA	-1.73	-5.24	-12.98	- 13,77	-25.79	-13.7
Mexico	-5.35	-6.39	+73.35	+59,39	+27.25	+47.5
South Airica	-1.31	80.8	+1.33	-7.72	-27.18	- 15.2
WORLD INDEX	-5.26	-12.19	-25.98	-23.32	-36.65	-28,5

reserves helped them to produce the world's best performances – declines of only 1.6 and 1.9 per cent, respectively.

Japan may have been the
worst performer of the year with a drop of 47.2 per cent, but continental Europe provided the worst market performances of the week, the mouth and the quarter.

Sweden, which was looking good for seven months, lost its winnings in August; Mr Brian Knoz of Kleinwort Benson comments that the oil price rises had come at the worst possible time for its shaky domestic economy.
It continued to decline in

September, but last week it was threatening to go into free fall, as equity trading was halted in seven finance compa-nies with problems associated with the collapse of the UK

MONDAY OCTOBER 1 1990

102,37

143.72 370.80

102.49 44.61 192.78 116.49 126.90 103.49 133.69 69.48 119.95

+2.4 +1.3 +0.9 +0.8 -2.7 +2.6 +7.8 +4.2 +3.0

708.26 108.38 150.04 149.95 104.89 102.62 103.83 107.12 183.07 84.69 61.17 105.23 86.99 92.02 113.66 112.31 113.37 66.98 72.14 85.98 92.23 147.74 190.25 381.18 1488.91 105.37 104.27 45.86 48.70 196.18 200.83 119.76 120.42 130.45 137.02 106.39 97.13 137.44 144.34 71.43 70.76 123.29 119.96 102.45 127.01

+3.4 101.35 111.78 104.20 102.79 +2.5 4.53 124.91 +4.0 140.62 155.09 144.56 142.22 +3.2 2.12 172.38 -1.5 84.80 83.31 86.97 93.41 -2.4 1.39 109.42 +0.7 91.68 101.08 94.22 98.09 -0.2 2.81 118.03 +2.8 99.65 109.91 102.48 125.71 +2.8 3.88 123.52 +3.9 89.65 98.88 92.15 92.50 +3.0 3.82 109.94 +0.5 95.56 105.41 96.25 104.47 +0.1 6.26 121.14 +0.6 92.48 102.00 95.07 99.15 -0.2 2.85 117.12 +1.3 91.70 101.14 94.28 106.56 +0.8 2.90 115.37 +1.5 94.01 103.69 96.65 107.69 +0.9 3.22 118.04 +2.8 100.64 111.01 103.48 96.85 107.69 +0.9 3.22 118.04 +2.8 100.65 111.01 103.48 96.85 107.69 +0.9 3.22 118.04

Copyright, The Financial Times Limited, Goldman, Sacts & Co. and County NatWest Securities Limited, 1987 Melaysian market closed October 1. Finnish prices were unavailable October 1. Constituent changes 2/10/90: Deletions: Nixdorf Computers (W.Germany) and Mack Trucks (US).

408.94 381.18 1498.91 113.04 105.37 104.27 49.20 45.86 48.70 212.81 199.18 200.83 128.48 119.75 120.42 139.95 130.45 137.02 114.14 106.39 97.13 147.45 137.44 144.34 76.63 71.43 70.76 132.27 123.29 119.95 109.91 102.45 127.01

commercial property market.

Over the month and the quarter, Sweden was edged out of the bottom place by Austria.

Ms Rebecca Winnington-Ingram, of Barclays de Zoete Wedd, contrasts this with the position at March 30, when a rise of 54 per cent on the first quarter of 1990 left the bourse quarter of 1990 left the bourse up 125 per cent over 12 months. ing prospects in eastern Europe was exaggerated then by the illiquidity of the Vienna bourse; investors around the

and could not get them. Ms Winnington-Ingram says:
"Now there is the threat of eastern Europe being thrashed by higher oil prices, without its supplies of subsidised oil from the Soviet Union." Vienna's illiquidity has been working decidedly to its disadvantage.

FRIDAY SEPTEMBER 28 1990

107.07

142.24 101.02 100.90 185.84 82.20 89.84 80.23 89.23 89.23 89.23 89.23 84.43 84.43 85.75 144.78 380.79 100.95 44.41 182.78 116.52 131.58

101.72 125.09 67.26 117.74 97.61

118.24 110.16
157.08 145.24
111.55 103.93
111.42 103.81
205.23 191.20
90.78 84.57
110.25 102.71
88.61 82.54
98.69 91.85
122.01 113.67
771.15 66.29
94.70 88.24
159.88 148.95
420.51 391.76
111.48 103.86
49.04 45.69
212.90 198.35
128.91 118.87
145.31 135.37
112.33 104.65
138.14 128.70
74.28 69.21
130.01 121.12
107.80 100.43

98.85 109.16 101.70 100.24 157.85 136.41 150.64 140.34 137.82 223.28 86.59 95.62 89.09 95.68 192.76 91.82 101.39 94.46 98.30 174.18 97.74 107.95 100.68 122.29 148.43 87.00 96.09 89.52 89.78 145.82 95.87 105.88 98.64 104.38 146.72 92.68 102.36 95.36 99.38 173.77 91.29 100.82 93.94 105.72 162.00 93.41 103.17 96.11 106.68 151.84 98.67 108.97 101.53 113.53 151.58

109.02 158.31 146.16 285.63 101.53 160.02 108.76 163.85 190.85 277.62 81.12 152.29 108.76 168.85 82.54 144.89 112.43 147.49 114.87 198.57 71.28 109.26 94.70 197.26 140.29 250.89 1525.70 551.41 102.78 149.09 48.36 75.36 200.55 278.79 119.72 209.24 140.39 251.39 95.43 182.25 134.85 234.93 95.43 182.25 134.85 234.93 95.43 182.25 134.85 148.85 123.35 148.85

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

+1.1 +0.1 +2.6 +5.4 +1.1 -1.3 +1.2 -2.6 +0.0

The World Index (2349)... 120.07 +1.5 94.21 103.91 96.86 107.89 +0.9 3.23 118.33 93.64 103.42 98.35 108.91 162.05 118.33 155.71

Gross Div. Yield

7.04 135.30 1.82 179.74 5.64 127.65 3.74 127.51 1.54 234.84 3.37 103.87 2.58 101.38 5.80 112.82 5.80 112.82 5.81 112.82 4.61 139.61 3.38 81.42 0.92 106.36 3.19 182.96 0.35 481.19 5.46 125.56 7.14 58.11 1.54 243.16 5.58 128.54 243.16 5.58 128.54 5.68 128.54 5.68 128.54 5.68 128.54 5.68 128.54 5.68 128.54 5.89 123.35

world wanted Austrian shares,

per cent higher at 1,444.89 after a rise of 17.96 or 3 per cent in the FAZ at midsession. Several stocks that were being recommended before the recent declines recovered some German reunification, and the public holiday marking the event today, were perceived in two ways: the first as an excuse for a positive mood in strength, with L'Oréal up FFr28.80 at FFr489 and Air Liquide rising FFr29 to FFr632.

AMSTERDAM rose in tandem with other European bourses but volume remained morning buying; and the second as a reason to square posi-tions after midday, on the low, and analysts were not congrounds that a lot could hap-pen in the Gulf, or in the Wall vinced that the rally would continue for very much longer. The CBS Tendency index rose Street and Tokyo markets,

before the following morning. Chemicals mostly reverted to type yesterday, moving little in relatively high volume, but Degussa fell against the trend by DM18.80 to DM321 — perby DM18.80 to Dente. — per-haps, said dealers, because of its gold refining interests and the plunge in the world bullion price on Monday. Steels had another good day.

Hoesch, Mannesmann and Thyssen putting on another DM5, DM10 and DM13, to DM220, DM262 and DM210.50 DM34 and DM32.50 respec-tively. Mr Alexander Breidert of B Metzler in Frankfurt said that the steels has been picked out in advance for their prosts on a technical rally.

PARIS gained 3.4 per cent in early trading, but closed 2.1 per cent higher as follow-through buying failed to materialise. Turnover improved to about FFr2.4bn from FFr1.4bn

The main news of the day was Pengeot's first-half profits figures, which were roughly in line with expectations. On further inspection, however, some doubts set in among investors, particularly over a decline in the cash flow. Peugeot shares

SOUTH AFRICA

JOHANNESBURG shares finctuated in thin trading yes-terday and fell from their highs at the close as the financial rand swung sharply upwards. The all-gold index dropped 38 to 1,499, depres by a weaker bullion price.

DOLLAR INDEX

160.24 167.67 181.36 89.91 162.50 142.63

130.91 167.25 187.73 185.10 143.04 116.90

121.59 109.94 121.14

Bourses fail to attract follow-through buying tial shares issued in August last year as a defence mechathe forced auction of its stock

ended FFr5 down at FFr587 after reaching a high of FFr559. Sodexho, the catering com-SHARES ENDED below their highs in Europe yesterday, in spite of an early rise on Wall Street. Investors reacted positively to German reunification in the morning and squared positions in the afternoon, strites Our Markets Staff.

FRANKFURT ended below its best, but volume moved un pany, shot up FFr35 or 8.9 per cent to FFr430; it reported a 17 per cent rise in annual net profit and said that it planned to end its cross shareholding with Wagons-Lits of Belgium. Accor, the hotels group and another leading Wagons-Lits

its best, but volume moved up from DM4.8hn to DM6bn as the DAX index closed 24.16 or 1.7 shareholder, lost FFr12 to

2.6 to 97.1.

Ahold, the retziler, put on F14.60 to F1129 following its unexpected proposal to with-draw all outstanding preferen-

m against what it deemed to be threatening advances by the West German retailer, Asko Deutsche Kaufhaus. In addition, Ahold said it planned to split the nominal value of its ordinary shares of F15 to F12.50, to bring its share price within range of comparable shares in the US, before its listing on the US Nasdaq system, later this year.

Defensive consumer stocks continued to be in demand, with Unilever certificates up F14 at F114180 and KBB up F1150 at F189. Ahrend, the appliance and household dura-bles group, was F16 higher at F1197 after a strong pick-up in

its furniture sales.
MILAN joined in the European rally, but dealers there also complained of a lack of volume. Participants were happy, however, that the spectre of Lombardfin had finally been put to rest, now that the broker had been liquidated and

was over. The Comit index rose 16.1 to 578.68, a gain of 2.9 per

Figt jumped L400 to L8,650 in spite of remarks by Mr Umberto Agnelli, vice-president, that the European car market could shrink by up to 8 per cent next year and that the Italian market could also suffer a similar fate. CIR, which has been among the most severely penalised stocks in recent weeks, put on L295 to L3,265.

cent in brisk turnover of SKr496m. The market was relieved that trading had resumed in four of the six finance companies suspended last week after reports that they could not meet credit pay-ments. The Affarsvärlden General index added 52.87 to

Astra and Kricsson led the charge, with their free B shares rising SKr45 and SKr20 to SKr510 and SKr218 respec-

érale de Belgique put on BF180 to BF12,100 before reporting sharply lower profits for the first half after the market closed. The cash market index

rose 116.26 to 5,162.23. ZURICH saw more action in the insurance sector following the forecast of higher 1990 profits from Zurich Insurance, which rose SFr170 to SFr3.890 for a two-day gain of SFr420, or 12 per cent. The Crédit Suisse index closed 11.3 higher at

MADRID advanced 4.7 per cent, as the general index rose 9.94 to 223.64 in a more active

ATHENS partially recovered from the previous day's fall, with the general index rising 47.5 or 4.4 per cent to 1,130.06, while ISTANBUL's index added while intansities index added 188.79 or 3.7 per cent to 5.324.35 in improved turnover of TL94.2bn. VIENNA's bourse index gained 16.29 or 3.4 per cent to 499.17 as foreign investors moved into the market.

COMPANY NOTICE

NEW KLEINFONTEIN PROPERTIES LIMITED (Incorporated in South Atrice)
Reg. No. 01/00854/96

*Dividend up 28%

PROFIT ANNOUNCEMENT

The makes sends of the Group's operations for the follows:-	n year 40dad 30 June 1990	
INCOME STATEMENTS	30 Januar 1990 1990	30 June 1989 2000
Temper	3 222	500
Opiniting income Tetration	600 272	1670 1671
Net becam galbackie to disolekties Net beganglestille to oxidit elembalden	3 339	43
	1519	202
Sensings per almon (creats)	165.1	101.6

DECLARATION OF FOIAL DIVIDING NOTICE IN HERRENY CIVEN the divident No.53 (Pleat) of 34 cents per share (1969 - 27 cents) is is e.g. as appreciate is verticate to experiment relact (events) or the component of the property of the component of the component of the component of the closes of the component of the closes of the component of the closes of the component of

NOTICE OF NEVETY-POURTH ANNUAL GENERAL MEETING NOTICE IS HEREBY GIVEN for the short-both camel geneal meeting in the best soon. 2nd Foot. APC House, 25 Wellington Rand, Pad 7 November 1990 at 10150.

LEGAL NOTICES

FILY TRADUIG AS HODGES AND MOSS LIMITED

BY CROSS OF THE BOARD

For the avoidance of doubt, the joint administrative receivers of the above-named company hereby confirm that the notice of the meeting of the unsecured creditors held at Trailord Most House, Foregott, Telland Centre, Telland Stroppints on S August 1990, pursuant to Section 4622 of the Insolvency Act 1995 notice of which appeared in the publication on 25 July 1990 under the heading "Hodges & Moss Limited" was in fact in respect of the above-nested Company.

PERSONAL

FREDERICK J. FRIENCH (HOLDINGS) LIMITED (in voluntary (iquidation)

71 August 1990.

NOTICE is hereby given that the Graditors of the above-nessed Company are required on or before the 31st day of October 1990 to send in their names and addresses, with perticulars of their Debts or Glaims, and the periodian of their Debts or Claims, and the particulars of their Debts or Claims, and the names and addresses of their Solicitors (if any), to the undersigned of PETER ANTHONY LAWRENCE SOCITY WHYTS, .

2 ST. PETERS STREET, IPSWICH, SUFFOLK IN 170

2 ST. PETERS STREET, POWER, SHIPLES IN 128
the Liquidator of the sald Company, and, if so required by notice in writing by the ead Liquidator, are by their Solicitors or personsity to come in and prove their said Debts or Casims at such time and piece as shall be appointed in such notice, or in debuit thereof they will be excluded from the benefit of any distribution much before such debts are proved. [This notice is purely formal and all income Creditors have been, or will be paid to sait).

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 October 1990

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 October 1990, An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 11 October 1990 and will be in the following maturities:

ECU 300 million for maturity on 15 November 1990 ECU 300 million for maturity on 10 January 1991 ECU 400 million for maturity on 11 April 1991

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 9 October 1990. Payment for Ball Interest of the securities of the sec Bills allotted will be due on Thursday, 11 October 1990.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1,30 p.m. on Thursday, 11 October 1990 provided cleared, funds have been credited to the Bank of arier 1.30 p.m. on Inursoay, 11 October 1990 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005518 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that information Memorandum (as

 The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 11 April 1991. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as